

# Westward Housing Group Limited

**Annual Report and Financial Statements**

**31 March 2009**

# **WESTWARD HOUSING GROUP LIMITED**

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# WESTWARD HOUSING GROUP LIMITED

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## BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

### **Board**

#### **Chair**

Mr S Pryor (resigned Jan 09)

#### **Other Members**

Mr P Cowling (appointed Apr 09)

Ms S Jones

Mr J Tuck

Ms S Dunford

Mr M Sennitt

Mr M Winwood

Ms L Smith

Ms T Warn

Mr D Bowen

Mr J Bayliss

Ms K Evans

### **Executive Directors**

Chief Executive

Mr J Tuck

Corporate Services Director &  
Company Secretary

Mr M Sennitt

Managing Director (Tarka)

Mr N Barnard

Managing Director (Westcountry)

Ms K Ayling

Investment & Procurement

Director

Ms J Gregg

Supported Housing Director

Mr P Smith

### **Registered office**

Hatfield House  
Hatfield Road  
Torquay  
Devon  
TQ1 3HF

### **Auditors**

Grant Thornton UK LLP  
Hartwell House  
55/61 Victoria Street  
Bristol  
BS1 6FT

### **Principal Solicitors**

Trowers & Hamlin  
Portland House  
Longbrook Street  
Exeter  
EX4 6AB

### **Principal Bankers**

National Westminster Bank plc  
South Devon Service Centre  
PO Box 69, Riviera House  
Nicholson Road  
Torquay  
Devon  
TQ2 7YL

## REPORT OF THE BOARD

The board presents its report and the consolidated audited financial statements for the year ended 31 March 2009.

### Principal activities

Westward Housing Group Limited (Westward) is a registered social landlord and the non-asset holding parent company to its subsidiaries, Westcountry Housing Association Limited and Tarka Housing Limited. Westward is registered with the Tenant Services Authority (formerly the Housing Corporation) as a charitable and group parent organisation.

### Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this report of the board.

### Board members and executive officers

Board members at 30 July 2009 are shown on page 1. All the Board members and executive officers served throughout the financial year unless otherwise stated. The Board may from time to time appoint executive officers of the Group to serve on the Board. The Chief Executive and Corporate Services Director currently serve on the Board in accordance with the Group's rules.

### Employees

The Group acknowledges the importance of the quality of its employees in meeting its aims and objectives. The group's ability to meet its commitments to residents and others in an efficient and effective manner depends on the contribution of its employees.

Information is provided to staff on objectives, progress and activities in a variety of formats including structured meetings, access to minutes, verbal briefings or individual notifications. Training programmes for each member of staff are encouraged based on the needs assessment set out through the appraisal process.

The Group is committed to equal opportunities for all its employees. The equality and diversity policy approved by the Board is made available to all staff.

### Health and safety

The Board is aware of its responsibilities on matters relating to health and safety. The Group continues to review and update its detailed health and safety policies, including arrangements for appropriate staff training. On operational matters the Board delegates duties and responsibilities to a Westward health and safety working group comprising managers and staff of the Group, which includes a dedicated health and safety officer.

### Officers' insurance

The Group purchases insurance each year against the liabilities of all Board members and executive officers in relation to the Group.

## REPORT OF THE BOARD (CONTINUED)

### **Statement of the responsibilities of the board for the report and financial statements**

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

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

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: “Accounting by registered social landlords” (Update 2008), subject to any material departures disclosed and explained in the financial statements.

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

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: “Accounting by registered social landlords” (Update 2008).

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

### **National Housing Federation Code of Governance**

We are pleased to report that the Association complies with the principal recommendations of the National Housing Federation Code of Governance (revised).

### **The Board**

The number of non-executive Board members is ten. There are six independent members, two nominees from the Tarka Housing board and two nominees from the Westcountry Housing Association board. The Chief Executive and Corporate Services Director are currently also members of the Board. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board meets, formally, at least five times a year for regular business and annually to discuss strategy and, as necessary, for members' training.

## REPORT OF THE BOARD (CONTINUED)

Board members are appointed in the first instance by the Board, and those appointed during the year to fill casual vacancies must retire at the next Annual General Meeting and are eligible for re-election by the share holding members. At each Annual General Meeting one third of the existing Board also retire and are eligible under the rules for re-election.

The Board is responsible for the Group's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Group Chief Executive and other Group executive directors. The group senior management team comprises the Chief Executive, Corporate Services Director, Investment & Procurement Director, Supported Housing Director the Managing Directors of Westcountry and Tarka Housing and the Head of Finance. The senior management team normally meets fortnightly and attends board meetings.

### Committees

Under the group structure all committees are group committees. The Group committees deal with the group and subsidiary requirements through (1) Audit, Remuneration & Treasury, (2) Planning, and (3) Development and New Business committees. The purposes of each of the committees is set out in the Group standing orders. These committees are currently being restructured to become (1) Audit & Treasury, (2) Planning and Urgency and (3) Remuneration & Membership.

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

### Internal Controls Assurance

The Westward Group Board has overall responsibility for establishing and maintaining the group's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against financial misstatement or loss, fraud or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial statements and operational information and for the safeguarding of the Group's assets and interests.

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing, has been in place throughout the period commencing 1 April 2008 up to the date of approval of the report and financial statements.

In reaching this conclusion the Board has reviewed the key elements of the control environment, including:

- The Board and Committee structure, constitution, standing orders and financial regulations.
- Assurances received from management evidenced through comprehensive operational reports.
- Board approval of all short/medium terms plans and the risk assessments of those plans, reviewed quarterly by the Board.
- Risk management activities supported by the use of dedicated policy groups and working parties, which look at particular aspects of the Group's work.
- The group's audit arrangements both for internal and external audit.

## REPORT OF THE BOARD (CONTINUED)

- The use and award of, quality management systems.
- Performance indicators across all major activities.
- Reports from and submitted to the Tenant Services Authority (formerly Housing Corporation) on the group's compliance with all aspects of its regulatory code.
- Board approved whistle-blowing and anti-theft and corruption policies.
- Board approved anti-fraud policy, covering prevention, detection, and reporting of fraud, and the recovery of assets.

A fraud register is maintained and is reviewed by the Group Audit, Remuneration & Treasury Committee. During the year there was one case of fraud by an employee that did not result in any financial loss to the Group.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit, Remuneration & Treasury Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes of the Audit, Remuneration & Treasury Committee meetings and can ask for specific reports to be referred to it.

The Board has received the Chief Executive's annual review of the effectiveness of the system of internal control, as it applies across the Group, and the annual report of the internal auditor.

The Board particularly reviews the service provided by its internal auditors and external auditors. These provide independent, trusted and objective reports which are reviewed initially by the Group's Audit, Remuneration & Treasury Committee and then by the Board.

The auditors have direct access to the Board and have review meetings with the Group Audit, Remuneration & Treasury Committee. The internal audit service is outsourced and follows an audit needs assessment plan agreed with the Board. The Board is of the view that this internal audit service should remain as one of the cornerstones of our internal control system.

The Board confirms that there have been no regulatory concerns, which have led the Housing Corporation to intervene in the affairs of the Association. The Board further confirms that there have been no significant problems in relation to failures in internal controls which require disclosure in the financial statements or to the Tenant Services Authority.

### **Going Concern**

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

### **Auditors**

A resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the forthcoming Annual General Meeting.

### **Approval**

The Report of the Board was approved by the Board on 30 July 2009 and signed on its behalf by:

Julian Tuck  
Group Chief Executive

## OPERATING AND FINANCIAL REVIEW

### Background

#### Activities

Westward Housing Group is a non-asset holding parent company consisting of two registered social landlords, Westcountry Housing Association and Tarka Housing.

The Group's head office is based in Torquay and its properties are spread throughout Devon and Cornwall

Both subsidiaries are non-charitable and operate three key business streams:

- 'general needs' housing for rent, primarily by families who are unable to rent or buy at open market rates;
- supported and sheltered housing for people who need additional housing-related support; and
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the association on the remainder.

As well as managing almost 6,000 properties, the Group is a major developer of new affordable housing and is a member of the development partnership, Partnership South West.

### External influences

Government policies are aimed at significantly increasing housing supply by widening the availability of social housing grant to the private sector; extending opportunities for people to buy their homes; and consulting on changes to the planning and taxation systems to help finance the new developments.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering decent homes for all social housing tenants by 2010. Housing associations are also expected to contribute to the efficiency targets, for the social housing sector, and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

### Objectives and strategy

The formation of Westward is part of a strategy initiated by Westcountry Housing Association to create a non-asset holding parent association to:

- respond to the new business environment by developing a new sub-regional group, based around Westcountry Housing Association, a long established traditional housing association
- Provide a parent for the existing Westcountry Housing Association and Tarka Housing on its establishment as a new registered social landlord following the transfer of housing stock from Torridge District Council
- Accommodate further subsidiaries that share its vision and values

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

Westward is the main promoter, co-ordinator and adviser to the Group and its subsidiaries in the furtherance of the Group's overall objectives and goals. It delivers all corporate services to the subsidiaries.

In the longer term Westward will:

- Provide the capacity, both human and financial, to enhance services across the Group. The group will provide a benchmark for service improvement and the toolkit to drive and secure the enhancement of services
- Build on the platform for resident involvement established by all its members to put residents and residents' needs at the heart of the organisation.
- Release resources from efficiencies to invest in enhanced services and in business growth in line with residents' priorities.
- Create a volume of activity that enables the formation of specialist services
- Expand the capacity of the constituent bodies to manage risk and the provision of affordable homes and new initiatives.
- Expand the opportunities of Group members to take the control of developments, procure mixed tenure schemes and maximise the provision of affordable homes.

### General operating environment

These financial statements show the results of the Group activities for the year ended 31 March 2009. Group activities are those of the two subsidiaries Tarka Housing and Westcountry Housing. Highlights of the Group for the year include:

- General needs rents increased in accordance with the subsidiary rent plans. The rent plans were introduced following government legislation requiring equalisation of local authority and housing association rents by 2012.
- Housing stock of 4,697 general needs, 837 shared ownership properties and 533 supported housing bedspaces including 177 new properties in management.
- Completion of 16,416 responsive repairs during the year.
- Major improvement works on 1,749 properties including replacement of kitchens, bathrooms and heating systems.
- Cyclical maintenance and external renovation expenditure on 785 properties.

### Performance for the year

The Group generated a surplus for the year of £33,000 (2008: restated deficit £0.2m).

The Group and its subsidiaries are committed to generating sufficient reserves to pursue its core objectives and to meeting the following funding requirements:

- Maintaining housing properties in a sound state of repair.
- Financing long term loan repayments.
- Providing a contingency against risk and future uncertainties.
- Meeting targets and promises for property improvements.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

- Development of new schemes and property purchase.
- Maintaining the affordability of rents.

### Treasury management

Treasury management is operated within a policy approved by the Board. The overall financing requirement is approved by the Board – individual loans are approved by the Westward Group Audit, Remuneration and Treasury Committee. Investments are made only with counterparties specified within the Treasury Management Policy. A conservative approach is adopted, no derivatives are used and quarterly reports are received by the Audit, Remuneration and Treasury Committee on investment performance.

### Cashflow and liquidity

The cash inflow from operating activities during the year was £7.1m (2008: restated outflow £0.5m).

The Group financial instruments comprise borrowings, cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The main risks from the Group financial instruments are interest rate risk and liquidity risk.

New developments are financed through a mixture of retained reserves, social housing grant and debt. Agreed loan facilities are currently in place secured against Westcountry Housing assets. The facilities are in place to cover our cash flow requirements over a rolling twelve-month period, plus a margin for comfort.

There are good relationships with lenders but the group is acutely aware that the funding market remains competitive and innovative, and devotes considerable energy to exploring and developing new relationships.

When negotiating new loan facilities, a number of principles are adhered to, particularly the consistency of financial covenants. This means that all our lenders enjoy a common set of measures, which streamlines the Group internal monitoring processes.

Julian Tuck  
Group Chief Executive  
30 July 2009

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTWARD HOUSING GROUP LIMITED**

We have audited the group and association financial statements of Westward Housing Group Limited for the year ended 31 March 2009. These financial statements which comprise the consolidated and Association's Income and Expenditure accounts, consolidated and Association's Balance Sheets, consolidated and Association's Statements of Total Recognised Gains and Losses, consolidated Cashflow Statement and relevant Notes 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 regulations made under section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them 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 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 responsibilities of the board for preparing the report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the board for the financial statements.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the report of the board is not consistent with the financial statements, if the association has not kept proper accounting records or maintained a satisfactory system of control over its transactions, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the report of the board and the Operating and Financial Review Statement. 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 association's circumstances, consistently applied and adequately disclosed.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTWARD HOUSING GROUP LIMITED (CONTINUED)**

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.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and association as at 31 March 2009 and of the surplus for the year then ended
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditors  
Bristol, BSI 6FT  
30 July 2009

# WESTWARD HOUSING GROUP LIMITED

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## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2009

	Note	2009 £000	2008 Restated £000
<b>Turnover: continuing activities</b>	2	25,933	21,027
<b>Operating costs: continuing activities</b>	2	(22,652)	(15,997)
<b>Operating surplus: continuing activities</b>	4	<u>3,281</u>	<u>5,030</u>
Surplus on sale of properties	26	145	404
Tarka housing set up costs		-	(1,239)
Interest receivable and other income	5	328	1,371
Interest payable and similar charges	6	(3,690)	(4,494)
Other finance costs	7	(31)	(7)
Goodwill impairment	12	-	(1,293)
<b>Surplus/(deficit) for the year</b>	198	<u>33</u>	<u>(228)</u>
<b>Net transfer from/(to) reserves</b>	19	473	(1,210)
<b>Surplus/(deficit) retained for the year</b>	19	<u>506</u>	<u>(1,438)</u>

# WESTWARD HOUSING GROUP LIMITED

## ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2009

	Note	2009 £ 000	2008 £ 000
Turnover: continuing activities	3	1,358	352
Operating costs	3	<u>(1,358)</u>	<u>(352)</u>
Operating surplus: continuing		-	-
Surplus on ordinary activities		<u>-</u>	<u>-</u>
Surplus for the financial year		<u>-</u>	<u>-</u>

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

Year ended 31 March 2009

	2009 £ 000	Group 2008 Restated £000	Association 2009 £ 000	2008 £ 000
Surplus/(deficit) for the financial year	33	(228)	-	-
Unrealised surplus on revaluation of investments	-	8	-	-
Actuarial (loss)/gain relating to the pension scheme	(499)	842	-	-
Total recognised surpluses and deficits for the year	<u>(466)</u>	<u>622</u>	<u>-</u>	<u>-</u>
Prior year adjustment	1,209			
Total recognised surpluses and deficits recognised since the last report	<u>743</u>			

# WESTWARD HOUSING GROUP LIMITED

## CONSOLIDATED BALANCE SHEET At 31 March 2009

	Note	2009 £ 000	2008 Restated £ 000
<b>Tangible fixed assets</b>			
Housing properties	9	228,769	210,132
Social housing grant	9	(130,020)	(123,231)
		<u>98,749</u>	<u>86,901</u>
Other fixed assets	10	1,603	1,693
		<u>100,352</u>	<u>88,594</u>
Investments	11	1,496	1,486
		<u>101,848</u>	<u>90,080</u>
<b>Current assets</b>			
Properties for sale		2,147	2,357
Debtors	13	3,646	3,371
Investments	14	655	11,192
Cash at bank and in hand		3,974	2,368
		<u>10,422</u>	<u>19,288</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(6,735)</u>	<u>(5,819)</u>
<b>Net current assets</b>		<u>3,687</u>	<u>13,469</u>
<b>Total assets less current liabilities</b>		<u>105,535</u>	<u>103,549</u>
<b>Creditors: Amounts falling due after more than one year</b>			
<b>Pension scheme deficit</b>	16	73,538	71,589
	7	925	467
		<u>74,463</u>	<u>72,056</u>
<b>Capital and reserves</b>			
Share capital	18	-	-
Revaluation reserve	19	331	331
Designated reserve	19	9,305	9,734
Revenue reserve	19	21,436	21,428
<b>Consolidated funds</b>		<u>31,072</u>	<u>31,493</u>
		<u>105,535</u>	<u>103,549</u>

The financial statements were approved by the Board on 30 July 2009 and signed on its behalf by:

P Cowling  
Chair

S Jones  
Board Member

[Name]  
Board Member

# WESTWARD HOUSING GROUP LIMITED

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## ASSOCIATION BALANCE SHEET At 31 March 2009

	Note	2009 £ 000	2008 £ 000
<b>Tangible fixed assets</b>			
Other fixed assets	10	89	-
<b>Current assets</b>			
Debtors	13	44	6
Cash at bank and in hand		32	21
		<u>76</u>	<u>27</u>
<b>Creditors: Amounts falling due within one year</b>	15	(165)	(27)
<b>Net current (liabilities)/assets</b>		<u>(89)</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Non-equity share capital	18	-	-
Revenue reserve	19	-	-
<b>Association's funds</b>		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

The financial statements were approved by the Board on 30 July 2009 and signed on its behalf by:

P Cowling  
Chair

S Jones  
Board Member

[Name]  
Board Member

# WESTWARD HOUSING GROUP LIMITED

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## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 £ 000	2008 Restated £ 000
Net cash inflow/(outflow) from operating activities	21	7,119	(524)
Returns on investments and servicing of finance	22	(4,024)	(2,854)
Acquisitions and Disposals	22	-	(1,839)
Capital expenditure	22	<u>(13,983)</u>	<u>( 9,654)</u>
Net cash outflow before management of liquid resources and financing		(10,888)	(14,871)
Management of liquid resources	22	10,537	33,295
Financing	22	<u>1,957</u>	<u>(17,171)</u>
Increase in cash	23	<u><u>1,606</u></u>	<u><u>1,253</u></u>

# WESTWARD HOUSING GROUP LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### I ACCOUNTING POLICIES

#### **Basis of accounting and legal status**

The Westward Housing Group is incorporated under the Industrial and Provident Societies Acts 1965, and is a registered social landlord. The financial statements have been prepared in accordance with applicable financial reporting standards and the Statement of Recommended Practice "Accounting by Registered Social Landlords" (Update 2008).

The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of one investment property, in accordance with the Accounting Requirements for registered social landlords General Determination 2006.

The Board is satisfied that the current accounting policies are the most appropriate for the Group.

The prior year adjustment reflects a change in the accounting policy for shared ownership first tranche sales under SORP 2008. The effect of the change is shown in more detail in note 28.

#### **Turnover**

Turnover comprises;

- a) rental income receivable in the year from tenants and leaseholders;
- b) other services included at the invoiced value (excluding VAT) of goods and services supplied in the year
- c) revenue grants; and
- d) first tranche sales income on shared ownership properties. Income from first tranche sales is recognised at the point of legal completion of the sale.

#### **Pensions**

The Group participates in two defined benefit final salary multi-employer pension schemes, the Social Housing Pension Scheme (SHPS) and the Devon County Council Pension Fund (DCCPF).

For the SHPS, it is not possible to identify the share of assets and liabilities belonging to individual participating employers. Due to the nature of the scheme, therefore, the charge to the income and expenditure account under Financial Reporting Standard 17 "Retirement Benefits" will reflect the employer contributions payable.

For the DCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities are recognised in the period in which they arise. The operating costs, finance costs and other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### I ACCOUNTING POLICIES (CONTINUED)

#### Taxation

The Group has charitable status and is therefore exempt from U.K. Corporation Tax.

The Board knows of no circumstances which will affect this taxation status in the future.

#### Housing properties

Housing properties are principally properties available for rent or let under shared ownership leases and are stated at cost less social housing grant and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to the cost at the market value of the land at the time of the donation.

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation and impairment.

#### Depreciation of housing properties

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 in the business. The depreciable amount is arrived at on the basis of original cost, less a proportion of SHG and other grants less residual value (being the actual or estimated open market value of the land at the date of purchase). The housing properties are depreciated at the following rates:

Houses	- New Build	1% (100 years)	Flats-	New Build	1.1% (90 years)
	- Rehab	1.3% (80 years)		Rehab	1.4% (70 years)

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

#### Impairment

Housing properties which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" and the Statement of Recommended Practice (Update 2008), subject to impairment reviews annually. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amounts. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised surpluses and deficits.

# WESTWARD HOUSING GROUP LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### I ACCOUNTING POLICIES (CONTINUED)

#### Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (formerly the Housing Corporation) and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. 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.

Where, following the sale of a property, SHG becomes repayable or is recycled and used to partly finance additional properties, it is included as a current liability until it is repaid or recycled. SHG is subordinated in respect of loans by agreement with the Homes and Communities Agency.

#### Other grants

These include grants from local authorities and other organisations. 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.

#### Capitalisation of interest and administrative costs

Interest on loans financing a development is capitalised up to the date of practical completion of the scheme.

Administration costs, which are directly attributable to development activities are capitalised.

#### Other tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Furniture, fixtures, fittings and equipment	20%
Computer hardware and software	20%
Motor vehicles	25%
Service assets	20%

# **WESTWARD HOUSING GROUP LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2009**

### **I ACCOUNTING POLICIES (CONTINUED)**

#### **Investment properties**

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the income and expenditure account. Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under Statement of Standard Accounting Practice 19 "Accounting for investment properties".

#### **Investments**

Investments are bonds held by National Westminster Bank plc for the past pension deficit of the Devon CC pension fund and the past pension deficit of the Social Housing Pension Scheme for staff transferring from Westcountry Housing into Westward Group Limited.

#### **Major repairs reserve**

The Group has a continuing programme of major repairs and costs are charged to the income and expenditure account in the year they are incurred. Reserves have been established to recognise the future cost of major repairs to the structure of housing properties not eligible for social housing grant.

#### **Value added tax**

The Group is VAT registered but a large proportion of its income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is shown as part of turnover in the income and expenditure account. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

#### **Properties for sale**

Shared Ownership first tranche sales are valued as the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS Group

	2009			2008 Restated		
	Turnover	Operating Costs	Operating Surplus/ (deficit)	Turnover	Operating Costs	Operating Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
<b>Social housing lettings (note 3)</b>	20,646	(17,861)	2,785	15,555	(10,905)	4,650
<b>Other social housing activities</b>						
Supporting people contract income	2,762	(2,692)	70	2,789	(2,643)	146
Development department costs not capitalised	-	(109)	(109)	-	(109)	(109)
Homebuy agency	451	(125)	326	191	(147)	44
First tranche sales proceeds	1,888	(1,665)	223	2,396	(1,973)	423
Other	25	(52)	(27)	46	(220)	(174)
	5,126	(4,643)	483	5,422	(5,092)	330
<b>Non-social housing activities</b>						
Lettings	20	-	20	50	-	50
Other	141	(148)	(7)	-	-	-
	161	(149)	13	50	-	50
<b>Total</b>	25,933	(22,652)	3,281	21,027	(15,997)	5,030

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS Association

	2009			2008		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£000	£000	£000	£000	£000	£000
<b>Social housing lettings</b>	-	-	-			
<b>Other social housing activities</b>						
Management Services	1,358	(1,358)	-	352	(352)	-
	<u>1,358</u>	<u>(1,358)</u>	<u>-</u>	<u>352</u>	<u>(352)</u>	<u>-</u>
<b>Total</b>	<u>1,358</u>	<u>(1,358)</u>	<u>-</u>	<u>352</u>	<u>(352)</u>	<u>-</u>

Management charges are made by the Group to both subsidiaries for the provision of corporate services.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL HOUSING LETTINGS Group

	General housing	Housing for older people	Supported housing	Shared ownership	Managed housing	2009 Total	2008 Total
	£000	£000	£000	£000	£000	£000	£000
<b>Turnover from social housing lettings</b>							
Rent receivable, net of identifiable service charges	12,331	3,342	874	1,488	-	18,035	13,231
Charges for support services	-	428	135	32	41	636	419
Service charges receivable	505	397	692	297	84	1,975	1,905
<b>Turnover from social housing lettings</b>	<u>12,836</u>	<u>4,167</u>	<u>1,701</u>	<u>1,817</u>	<u>125</u>	<u>20,646</u>	<u>15,555</u>
<b>Expenditure on social housing lettings</b>							
Services	(574)	(630)	(604)	(265)	(105)	(2,178)	(1,598)
Management	(2,107)	(674)	(618)	(149)	-	(3,549)	(2,913)
Support	-	(604)	(111)	(23)	(26)	(763)	(491)
Routine maintenance	(2,440)	(783)	(180)	-	-	(3,404)	(2,201)
Planned maintenance	(439)	(172)	(162)	-	-	(773)	(422)
Major repair expenditure	(4,728)	(1,149)	(349)	-	-	(6,226)	(2,427)
Bad debts	(82)	(4)	(12)	-	-	(98)	(30)
Depreciation of housing properties	(650)	(63)	(48)	(109)	-	(870)	(784)
<b>Operating costs on social housing lettings</b>	<u>(11,020)</u>	<u>(4,079)</u>	<u>(2,084)</u>	<u>(546)</u>	<u>(131)</u>	<u>(17,861)</u>	<u>(10,905)</u>
<b>Operating surplus/(deficit) on social housing lettings</b>	<u>1,816</u>	<u>88</u>	<u>(383)</u>	<u>1,271</u>	<u>(6)</u>	<u>2,785</u>	<u>4,650</u>
Voids	<u>(148)</u>	<u>(56)</u>	<u>(57)</u>	<u>(6)</u>	<u>-</u>	<u>(267)</u>	<u>(219)</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 4 OPERATING SURPLUS

This is arrived at after charging/(crediting):

	Group		Association	
	2009	2008	2009	2008
	Restated			
	£ 000	£ 000	£000	£ 000
Depreciation of housing properties	871	784	-	-
Depreciation of other tangible fixed assets	210	200	6	-
Deficit/(surplus) on disposal of other tangible fixed assets	3	(6)	-	-
Auditors' remuneration (including VAT)				
- for external audit services	23	21	4	1
- for internal audit services:	31	24	3	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 5 INTEREST RECEIVABLE AND OTHER INCOME

	Group		Association	
	2009	2008	2009	2008
	£ 000	£ 000	£000	£ 000
Income from cash deposits	328	1,371	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2009	2008	2009	2008
	£ 000	£ 000	£000	£ 000
Interest on loans	4,010	4,848	-	-
Interest payable capitalised on housing properties under construction	(320)	(354)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	3,690	4,494	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capitalisation rate used to determine the finance costs capitalised during the period	2.81%	4.54%	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES

**Average monthly number of employees expressed in full time equivalents:**

	<b>Group</b>		<b>Association</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Office staff	124	146	29	25
Scheme managers, tradesmen and project based staff	180	180	-	-
	<u>304</u>	<u>326</u>	<u>29</u>	<u>25</u>

**Employee costs:**

	<b>Group</b>		<b>Association</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>
Wages and salaries	6,238	5,085	819	231
Social security costs	484	398	67	20
Other pension costs	796	435	103	27
	<u>7,518</u>	<u>5,918</u>	<u>989</u>	<u>278</u>

### **Social Housing Pension Scheme**

Westward Housing Group Ltd participates in the Social Housing Pension Scheme (SHPS). The scheme is funded 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, to 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.

# WESTWARD HOUSING GROUP LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

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.

Westward Housing Group Ltd has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 1 April 2007 and the career average revalued earnings with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1<sup>st</sup> April 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 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 Westward Housing Group Ltd paid contributions at the rate of 14.87% and 12.5% for the final salary and career average schemes respectively. Member contributions vary between 3.1% and 6.1%. As at the balance sheet date there were 6 active members of the Scheme employed by Westward Housing Group Ltd. Westward Housing Group Ltd 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 year under FRS17 represents employer contributions 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%.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

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

Valuation discount rates	<b>%pa</b>
– 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% SIPA 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 has been 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 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.

# WESTWARD HOUSING GROUP LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

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% to reflect the higher costs of a closed arrangement.

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

Employers joining the scheme after 1 October 2002 without any past service liability 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 rate are changed on 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 the 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 Association 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 at that date the estimated employer debt for the Association was £149,000.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

#### Devon County Council Pension Fund

The group is also a member of the Devon County Council Pension Fund ("the scheme"), which is a multi-employer scheme with more than one participating employer, and is administered by the Devon County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2008.

The major assumptions used by the actuary in assessing scheme liabilities on an FRS 17 basis were:

	<b>2009</b>	<b>2008</b>
	<b>% per annum</b>	<b>% per annum</b>
Rate of increase in salaries	5.1	5.2
Rate of increase in pensions in payment	3.6	3.7
Discount rate	6.5	6.8
Inflation assumption	3.6	3.7

The base tables used are PNMA00 with allowance for MC improvement factors to 2007.

#### Post retirement mortality

##### Males

Future lifetime from age 65 (currently aged 65)	23.1	22.1
Future lifetime from age 65 (currently aged 45)	25.4	24.0

##### Females

Future lifetime from age 65 (currently aged 65)	25.0	24.1
Future lifetime from age 65 (currently aged 45)	27.3	25.3

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

#### Reconciliation of funded status to balance sheet

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Notional value of assets	1,249	1,271
Present value of liabilities	( 2,174)	(1,738)
Net pension liability	<u>(925)</u>	<u>(467)</u>

#### Analysis of Income and Expenditure charge

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Current service cost	130	49
Past service cost	-	30
Interest cost	124	33
Expected return on assets	(93)	(26)
Expense recognised	<u>161</u>	<u>86</u>

#### Changes to the present value of liabilities during the accounting period

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Opening present value of liabilities	1,738	1,876
Current service cost	130	49
Interest cost	124	33
Contributions by participants	53	16
Actuarial losses/(gains) on liabilities	133	(265)
Net benefits paid out	(4)	(1)
Past service cost	-	30
Closing present value of liabilities	<u>2,174</u>	<u>1,738</u>

#### Changes to the fair value of assets during the accounting period

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of assets	1,271	1,278
Expected return on assets	93	26
Actuarial losses on assets	(366)	(121)
Contributions by employer	202	73
Contributions by participants	53	16
Net benefits paid out	(4)	(1)
Closing fair value of assets	<u>1,249</u>	<u>1,271</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 7 EMPLOYEES (CONTINUED)

#### Actual return on assets

	2009	2008
	£000	£000
Expected return on assets	93	26
Actuarial loss on assets	(363)	(121)
Actual return on assets	<u>(270)</u>	<u>(95)</u>

#### Analysis of amount recognised in statement of recognised surpluses and deficits (STRSD)

	2009	2008
	£000	£000
Total actuarial (losses)/gains	<u>(499)</u>	<u>144</u>

### 8 BOARD MEMBERS AND EXECUTIVE DIRECTORS

	2009	2008
	£ 000	£ 000
Emoluments of the Group's executive directors excluding pension contributions but including benefits in kind	189	53
Emoluments of the Chief Executive, who was also the highest paid director, excluding pension contributions but including benefits in kind	106	29

	2009	2008
	No.	No.
The emoluments of the board members and executive officers, also exclusive of pension contributions and Social Security costs, were in the following ranges:		
£0	10	10
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£85,001 - £90,000	1	-
£105,001 - £110,000	1	-

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 8 BOARD MEMBERS AND EXECUTIVE DIRECTORS (CONTINUED)

All board members except for the Chief Executive and Corporate Services Director were voluntary. No emoluments were paid to the voluntary members during the year.

Expenses paid during the year to board members and executive directors of the Association amounted to £10,236 (2008: £1,735).

The executive directors are members of the defined benefit pension scheme. They participate in the scheme on the same terms as all other eligible staff and no enhanced or special terms apply.

No payments or benefits, other than those permitted, were made to any board members or executive directors.

The membership of the corporate executive team of Westward Housing Group is noted on page 1. The costs of the team members are allocated to Westward Housing Group, Tarka or Westcountry Housing Associations as follows:

Chief Executive	Westward Housing Group Ltd
Corporate Services Director	Westward Housing Group Ltd
Managing Director (Tarka)	Tarka Housing Limited
Managing Director (Westcountry)	Westcountry Housing Association Ltd
Supported Housing Director	Westcountry Housing Association Ltd
Investment & Procurement Director	Westcountry Housing Association Ltd

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 9 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group	Housing properties held for letting	Housing properties under construction	Completed shared ownership properties	Shared ownership properties under construction	Short life properties completed	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 April 2008 (Restated)	160,527	23,069	23,256	7,286	1,092	215,233
Schemes completed in year	25,784	(25,784)	3,410	(3,410)	-	-
Additions	3,131	13,795	2,116	196	-	19,239
Disposals	-	-	(52)	-	-	(52)
Transfers	72	-	(72)	-	-	-
Interest capitalised	116	35	164	5	-	320
At 31 March 2009	<u>189,630</u>	<u>11,115</u>	<u>28,822</u>	<u>4,077</u>	<u>1,092</u>	<u>234,737</u>
<b>Depreciation</b>						
At 1 April 2008 (Restated)	4,207	-	635	-	256	5,097
Charge for year	761	-	109	-	-	870
Disposals	-	-	(1)	-	-	(1)
At 31 March 2009	<u>4,968</u>	<u>-</u>	<u>743</u>	<u>-</u>	<u>256</u>	<u>5,967</u>
<b>Cost less depreciation</b>						
At 31 March 2008 (Restated)	<u>156,320</u>	<u>23,069</u>	<u>22,618</u>	<u>7,289</u>	<u>836</u>	<u>210,132</u>
At 31 March 2009	<u>184,662</u>	<u>11,115</u>	<u>28,079</u>	<u>4,077</u>	<u>836</u>	<u>228,769</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

Group	Housing properties held for letting	Housing properties under construction	Completed shared ownership properties	Shared ownership properties under construction	Short life properties completed	Total
	£000	£000	£000	£000	£000	£000
<b>SHG &amp; Other public subsidy</b>						
At 1 April 2008	99,625	6,424	14,525	1,821	836	123,231
Schemes completed in year	6,980	(6,980)	1,442	(1,442)	-	-
Additions	1,185	5,050	-	590	-	6,824
Repayments/abatements	-	-	(35)	-	-	(35)
Transfers	44	-	(44)	-	-	-
At 31 March 2009	<u>107,834</u>	<u>4,494</u>	<u>15,888</u>	<u>969</u>	<u>836</u>	<u>130,020</u>

**2009**

**£000**

#### Net book value of all properties

Freehold land and buildings	95,087
Long leasehold land and buildings	3,662
Short leasehold land and buildings	-
	<u>98,749</u>

Direct costs relating to development administration capitalised in the year amounted to £532,940 (2008: £431,755)

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 10 TANGIBLE FIXED ASSETS - OTHER

#### Group

	Investment property	Freehold offices	Leasehold offices	Service assets	Furniture, fittings, fixtures & equipment	Computer hardware & software	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2008	275	935	27	583	179	1,013	199	3,211
Additions	-	4	-	29	23	118	3	176
Disposals	-	-	-	(43)	-	-	(97)	(140)
At 31 March 2009	<u>275</u>	<u>939</u>	<u>27</u>	<u>569</u>	<u>202</u>	<u>1,131</u>	<u>105</u>	<u>3,247</u>
<b>Depreciation</b>								
At 1 April 2008	-	91	6	391	135	818	77	1,518
Charged in year	-	14	-	64	16	77	38	209
Disposals	-	-	-	(21)	-	-	(61)	(82)
At 31 March 2009	<u>-</u>	<u>105</u>	<u>6</u>	<u>434</u>	<u>151</u>	<u>895</u>	<u>54</u>	<u>1,646</u>
<b>Net Book Value</b>								
At 31 March 2008	<u>275</u>	<u>844</u>	<u>22</u>	<u>192</u>	<u>44</u>	<u>195</u>	<u>121</u>	<u>1,693</u>
At 31 March 2009	<u>275</u>	<u>834</u>	<u>21</u>	<u>135</u>	<u>51</u>	<u>236</u>	<u>51</u>	<u>1,603</u>

#### Investment property

The property at 13 Castle Road, Torquay has been included at a valuation of £275,000. This valuation has been undertaken by Mr. R. White FRICS, Waycotts as at 31 March 2007, on a freehold open market value basis subject to the existing lease in favour of West of England Language Services Limited. The property is revalued by an independent valuer every 3 years.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 10 TANGIBLE FIXED ASSETS - OTHER (CONTINUED)

#### Association

	Computer hardware & software	Total
	£000	£000
<b>Cost or Valuation</b>		
At 1 April 2008	-	-
Additions	95	95
Disposals	-	-
At 31 March 2009	<u>95</u>	<u>95</u>
<b>Depreciation</b>		
At 1 April 2008	-	-
Charged in year	6	6
Disposals	-	-
At 31 March 2009	<u>6</u>	<u>6</u>
<b>Net Book Value</b>		
At 31 March 2008	-	-
At 31 March 2009	<u>89</u>	<u>89</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 11 TANGIBLE FIXED ASSETS - INVESTMENTS

#### Group

	<b>Fixed rate bonds £ 000</b>
At 1 April 2008 and 31 March 2009	<u>1,496</u>

The fixed bonds are held by National Westminster Bank Plc as security for the past pension deficits of the Devon County Council pension fund and, the Staff Pension Scheme for members who have transferred from Westcountry Housing into the Westward group.

### 12 TANGIBLE FIXED ASSETS - GOODWILL

	<b>£ 000</b>
<b>Cost</b>	
At 31 March 2008	<u>1,296</u>
At 31 March 2009	-
<b>Impairment provision</b>	
At 31 March 2008	<u>1,296</u>
At 31 March 2009	-
<b>Net book value</b>	
At 31 March 2008	-
At 31 March 2009	-

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 13 DEBTORS

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £ 000	2008 £ 000
<b>Due within one year</b>				
Rent and service charges receivable	722	636	-	-
Tenants other debts	32	21	-	-
Less: Provision for bad and doubtful debts	(178)	(130)	-	-
	<u>576</u>	<u>527</u>	<u>-</u>	<u>-</u>
Social housing grant receivable	1,575	1,143	-	-
Revenue grants receivable	-	227	-	-
Other debtors	1,431	1,450	41	-
Loans to employees	64	24	3	6
	<u>3,646</u>	<u>3,371</u>	<u>44</u>	<u>6</u>

Loans to Westward Housing Group employees totalling £2,746 (2008: £5,491) have been made to 1 employee (2008:1) and are repayable over terms of up to five years, on variable rates of interest linked to bank base rate at the time of the loan.

Loans to Westcountry Housing Association employees totalling £61,236 (2008: £24,320) have been made to 16 employees (2008:13) and are repayable over terms of up to five years, on variable rates of interest linked to bank base rate at the time of the loan.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 14 CURRENT ASSET INVESTMENTS

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
Balances held on deposit with banks and building societies	655	11,192	-	-
	<u>655</u>	<u>11,192</u>	<u>-</u>	<u>-</u>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
Housing loans (see note 17)	70	63	-	-
Accrued interest payable	630	1,517	-	-
Rent and service charges received in advance	236	155	-	-
Retentions	608	1,287	-	-
Trade creditors	1,477	969	-	-
Amounts owed to group undertakings	-	-	72	3
Other taxation and social security	44	30	16	15
Other creditors	3,055	1,000	77	9
National Lottery	6	2	-	-
Recycled capital grant – within one year (note 25)	609	796	-	-
	<u>6,735</u>	<u>5,819</u>	<u>165</u>	<u>27</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidation		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
Housing loans (note 17)	73,538	71,589	-	-
	<u>73,538</u>	<u>71,589</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

### 17 HOUSING LOANS ANALYSIS

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
<b>Due within one year</b>				
Bank loans	70	63	-	-
	<u>70</u>	<u>63</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
<b>Due after more than one year</b>				
Bank loans	36,538	34,589	-	-
The Housing Finance Corporation Ltd	37,000	37,000	-	-
	<u>73,538</u>	<u>71,589</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 17 HOUSING LOANS ANALYSIS (CONTINUED)

	Group		Association	
	2009 £ 000	2008 £ 000	2009 £000	2008 £ 000
Within one year	70	63	-	-
Between one and two years	80	72	-	-
Between two and five years	299	267	-	-
After five years	73,159	71,250	-	-
	<u>73,608</u>	<u>71,652</u>	<u>-</u>	<u>-</u>

As a non-asset holding parent, Westward Housing Group does not have any borrowings. The consolidated loans relate to the borrowings of Westcountry Housing Association as described below.

Westcountry Housing Association loan portfolio:

Loans originally from The Housing Corporation have been assigned to the National Westminster Bank PLC group of companies. Before assignment Westcountry Housing Association consolidated all of its Housing Corporation loans to one loan with a consolidated fixed interest rate of 11.227% and a final repayment date during the year 2030. These loans together with loans from banks are secured by fixed charges on individual properties.

Loans acquired through the acquisition of Uffculme Housing Trust and stock transferred from New Era Housing, are from National Westminster Bank PLC group of companies after assignment to them by the Housing Corporation. The loans are included in bank loans. They are secured by fixed charges on individual properties and are repaid in half yearly instalments at fixed rates of interest ranging from 10.375% to 15.00%. Final instalments fall in the period 2009 to 2046.

The Housing Finance Corporation (THFC) loan of £37m (nominal) was issued at a premium. It is secured by fixed charges on individual properties and has an effective fixed interest rate of 4.97%. Interest repayments are made half yearly with a final repayment date of 2035.

Loans with Abbey National are included in bank loans at £30.898m. These loans are variable rate with options to fix all or part of each loan. They are secured by fixed charges on individual properties and interest is paid on maturity of each interest period. The final repayment date is 2035.

Loans with Barclays Capital are included in bank loans at £5m. These loans are variable rate with options to fix all or part of each loan. They are secured by fixed charges on individual properties and interest is paid on maturity of each interest period. The final repayment date is 2032.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 18 SHARE CAPITAL

	2009 £	2008 £
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	12	12
Shares surrendered in year	(1)	-
At 31 March	<u>11</u>	<u>12</u>

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

### 19 RESERVES

<b>Group</b>	<b>Revaluation Reserve</b>	<b>Major Repairs Reserve</b>	<b>Revenue Reserve</b>	<b>Total Reserves</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 April 2008 (Restated) note 28	331	9,734	21,428	31,493
Surplus for the year	-	-	33	33
Actuarial loss relating to pension scheme	-	-	(499)	(499)
Transfers from reserves	-	(473)	473	-
At 31 March 2009	<u>331</u>	<u>9,305</u>	<u>21,436</u>	<u>31,072</u>
<b>Association</b>	<b>Revaluation Reserve</b>	<b>Major Repairs Reserve</b>	<b>Revenue Reserve</b>	<b>Total Reserves</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 April 2008	-	-	-	-
Surplus for the year	-	-	-	-
At 31 March 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 20 FINANCIAL COMMITMENTS

The group capital expenditure commitments are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Capital commitments</b>		
Expenditure contracted for but not provided for in the accounts	<u>8,844</u>	<u>8,932</u>

### 21 CONSOLIDATED RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2009</b>	<b>2008</b>
	<b>£ 000</b>	<b>Restated £ 000</b>
Operating surplus	3,281	5,046
Depreciation of tangible fixed assets	1,080	973
Surplus on disposal of tangible fixed assets	25	(6)
Pensions operating charge	130	79
Pension contributions paid	<u>(202)</u>	<u>(73)</u>
	4,314	6,019
<b>Working capital movements</b>		
Sale of Housing Properties	210	2,357
Debtors	(81)	(809)
Creditors	<u>2,676</u>	<u>(8,091)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u><u>7,119</u></u>	<u><u>(524)</u></u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 22 CONSOLIDATED GROSS CASH FLOWS

	2009 £ 000	2008 £ 000
<b>Returns on investments and servicing of financing</b>		
Interest received	611	1,177
Interest paid	(4,635)	(4,031)
	<u>(4,024)</u>	<u>(2,854)</u>
<b>Acquisitions and Disposals</b>		
Acquisition of trade from Torridge District Council	-	(600)
Tarka Housing set up	-	(1,239)
	<u>-</u>	<u>(1,839)</u>
<b>Capital expenditure and financial investment</b>		
Acquisition and construction of housing properties	(19,498)	(12,330)
Purchase of other fixed assets	(178)	(560)
Purchase of Investments	-	(1,175)
Capital grants received	5,335	5,900
Sales of housing properties	281	3,058
Sales of other fixed assets	77	17
	<u>(13,983)</u>	<u>(9,654)</u>
<b>Management of liquid resources</b>		
Movement in deposits and fixed term deposits	<u>10,537</u>	<u>33,295</u>
<b>Financing</b>		
Loan advances received	5,000	1,010
Loan principal repayments	(3,043)	(18,181)
	<u>1,957</u>	<u>17,171</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 23 CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2008 £ 000	Cashflows £ 000	At 31 March 2009 £ 000
Cash in hand and at bank	2,368	1,606	3,974
Debt due within 1 year	(63)	(7)	(70)
Debt due after 1 year	(71,588)	(1,950)	(73,538)
Current asset investments	11,192	(10,537)	655
Total	<u>(58,091)</u>	<u>(10,888)</u>	<u>(68,979)</u>

	2009 £ 000	2008 £ 000
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in year	1,606	1,274
Cash generated to decrease liquid resources	(10,537)	(33,295)
Cash received from loan advances	(5,000)	(1,010)
Cash to repay loan principals	3,043	18,181
Change in net debt	(10,888)	(14,850)
Net debt at 1 April	(58,091)	(43,241)
Net debt at 31 March	<u>(68,979)</u>	<u>(58,091)</u>

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 24 GROUP HOUSING STOCK

Westward Housing Group as a non-asset holding parent does not hold any housing stock. The consolidated number of units of housing under development and in management, in which the subsidiaries of the Group retains some equity, at 31 March 2009 was:

	Units under development		Units in management	
	2009	2008	2009	2008
Housing for letting	155	235	4,697	4,585
Shared ownership	13	115	837	814
Leasehold schemes for the elderly	-	-	75	-
Supported housing bedspaces	-	-	533	6

In addition the subsidiaries of the Group manage the following units

	2009	2008
Private Sector Leasing	86	97
Managed schemes	110	111
Right to buy units	204	205
Shops	3	3

### 25 GROUP RECYCLED CAPITAL GRANT FUND

	2009	2008
	£ 000	£ 000
At 1 April	796	881
Grants recycled	36	177
Interest accrued	26	48
Purchase/ development of properties	(249)	(310)
Balance at 31 March	<u>609</u>	<u>796</u>

The Recycled Capital Grant Fund is held at subsidiary level by Westcountry Housing Association.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 26 GROUP SURPLUS ON SALE OF PROPERTIES

	2009 £ 000	2008 £ 000
Proceeds of sale	281	3,058
Cost of sales	(136)	(2,654)
Surplus	<u>145</u>	<u>404</u>

### 27 OPERATING LEASES

The payments which the group and association is committed to make in the next year under finance leases are as follows:

	2009 No.	2008 No.
Motor vehicle leases expiring:		
Within one year	-	-
One to five years	1	-
Beyond five years	-	-

### 28 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 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 sales treated as a disposal of the fixed asset.

The effect of the change in accounting policy is an increase in the Group turnover for the year ending 31 March 2008 of £2,396,000 and increase in cost of sales of £1,973,000 with a consequent increase in surplus of £423,000. The cumulative effect on reserves is an increase of £1,209,000.

# WESTWARD HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

### 28 PRIOR YEAR ADJUSTMENT (CONT'D)

	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>Shared ownership first tranche sales</b>			
Turnover-proceeds of first tranche sales	5,939	2,396	8,335
Cost of sales	(5,153)	(1,973)	(7,126)
Surplus	<u>786</u>		<u>1,209</u>
<b>Revenue reserves</b>			
Revenue reserves at 31 March as previously stated	19,706		20,219
Add: surplus on first tranche shared ownership sales	<u>786</u>	423	<u>1,209</u>
Revenue reserves at 31 March restated	<u>20,492</u>		<u>21,428</u>

The prior year adjustment to current asset balances for the Association for the year ended 31 March 2008 is an increase of £2,357,000 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>Tangible fixed assets – Property Cost</b>			
At 31 March as previously stated	200,761		216,381
Add: accumulated first tranche surpluses from prior years	786	423	1,209
Less: First tranche amounts held as current assets	-	(2,357)	(2,357)
At 31 March restated	<u>201,547</u>		<u>215,233</u>

# **WESTWARD HOUSING GROUP LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2009**

### **29 RELATED PARTIES**

There are currently three Board members who are tenants of the subsidiary organisations. They are Ms T Warn, Ms S Dunford and Ms S Jones.

The subsidiaries have followed their standard lettings procedure for the board members and the properties were let at usual rent levels.

### **30 CONTINGENT LIABILITIES**

There were no contingent liabilities.

### **31 POST BALANCE SHEET EVENTS**

There were no post Balance Sheet events