

Westward Housing Group Limited

Annual Report and Financial Statements

31 March 2010

WESTWARD HOUSING GROUP LIMITED

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WESTWARD HOUSING GROUP LIMITED

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board

Chair

Mr P Cowling

Other Members

Ms S Jones

Ms S Dunford (Resigned Nov 09)

Mr M Winwood

Ms T Warn (Resigned Jul 10)

Mr J Bayliss

Mr D Howell (Appointed Nov 09)

Mr J Tuck

Mr M Sennitt (Retired Apr 10)

Ms L Smith

Mr D Bowen

Ms K Evans

Ms S Worden (Appointed Mar 10)

Executive Directors

Chief Executive

Mr J Tuck

Corporate Services Director & Company Secretary

Mr M Sennitt (Retired Apr 10)

Ms J Hughes (Appointed Apr 10)

Registered office

Hatfield House

Hatfield Road

Torquay

Devon

TQ1 3HF

Head Office

Templar House

Collett Way

Newton Abbot

Devon

TQ12 4PH

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

RBS

2nd Floor, Vantage Point

Woodwater Park

Pynes Hill

Exeter

Devon EX2 5FD

REPORT OF THE BOARD

The board presents its report and the consolidated audited financial statements for the year ended 31 March 2010.

Principal activities

Westward Housing Group Limited ('Westward' or 'the Association') is a registered social landlord and the non-asset holding parent company to its subsidiaries, Westcountry Housing Association Limited and Tarka Housing Limited (together known as 'the Group'). Westward is registered with the Tenant Services Authority as a charitable and group parent organisation. The housing property assets shown in the Consolidated Balance Sheet are owned or managed by Tarka Housing Limited or Westcountry Housing Association Limited. Westward does not own or manage any housing assets.

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 29 July 2010 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 currently serves on the Board in accordance with the Group's rules. The Corporate Services Director served on the Board until his retirement in April 2010.

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.

WESTWARD HOUSING GROUP LIMITED

REPORT OF THE BOARD (CONTINUED)

Officers' insurance

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

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 Association and to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 and 2002, paragraph 16 of Schedule 1 the Housing Act 1996 (to 31 March 2010), the Housing and regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice "Accounting for 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 is currently also a member 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, Finance Director, Investment & Procurement Director, Supported Housing Director the Managing Directors of Westcountry and Tarka Housing. 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 Associations' requirements through (1) Audit & Treasury, (2) Planning & Urgency, and (3) Remuneration & Membership committees. The Group is represented on these committees through nominee Board members.

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 2009 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 & Treasury Committee. No incidence of fraud has been identified during the 2009/10 financial year.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit & Treasury Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes of the Audit & 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 & Treasury Committee and then by the Board.

The auditors have direct access to the Board and have review meetings with the Group Audit & 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 Tenants Services Authority 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.

Disclosure of information to auditors

At the date of making this report each of the Association's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the association's auditors are unaware
- each director has taken all the steps that ought to have been taken as a director in order to be made aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

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.

WESTWARD HOUSING GROUP LIMITED

REPORT OF THE BOARD (CONTINUED)

Auditors

A resolution to appoint KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approval

The Report of the Board was approved by the Board on 29 July 2010 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 Newton Abbot and its properties are spread throughout Devon and Cornwall

Both subsidiaries are non-charitable and operate four 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;
- 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 and
- support services for vulnerable members of the community

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 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. Government is 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 was 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. The Group also provides a parent for the existing Westcountry Housing Association and Tarka Housing and to accommodate further subsidiaries that share its visions and mission.

Our Vision is:

Westward Group members

...will deliver excellence through meeting our promises

- involving, empowering and engaging with residents & service users
- promoting positive local identity
- working with a wide range of partners
- bringing other partners into the Group with complementary strengths

OPERATING AND FINANCIAL REVIEW (CONTINUED)

- developing more affordable homes
- being employers of choice
- promoting open and transparent communications and feedback

...will deliver better homes by

- improving our existing housing stock
- building high quality new homes
- working to high environmental and energy efficiency standards
- incorporating the benefits of sustainable communities
- involving residents in designing homes where people want to live

...will provide healthier environments by

- raising the quality and extending the range of services to residents & service users
- supporting people who are vulnerable
- getting services right first time
- aspiring to top inspection and accreditation results
- encouraging user-driven and user focussed innovation

...will provide stronger, happy neighbourhoods by

- putting communities and their needs at the forefront
- encouraging employment and training opportunities particularly for Westward residents
- ensuring equality and diversity are fully reflected in all activities

Key indicators are used by the senior management team to monitor achievement of the Group's objectives. Targets are set each year by the Board to manage development and deliver continuous service improvement

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 and expand 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

General operating environment

These financial statements show the results of the Group activities for the year ended 31 March 2010. 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 4,791 general needs, 943 shared ownership properties and 542 supported housing bedspaces including 209 new properties in management.
- Completion of 18,115 responsive repairs during the year compared with 16,416 in the previous year.
- Major improvement works on 1,679 properties including replacement of kitchens, bathrooms and heating systems.
- Cyclical maintenance and external renovation expenditure on 1,202 properties.

Performance for the year

The Group generated a surplus for the year of £1.3m (2009: surplus £0.03m).

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 to Decent Homes Standards or better.
- Financing long term loan repayments.
- Providing a contingency against risk and future uncertainties.
- Meeting targets and promises for property improvements.
- 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 & 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 & Treasury Committee on investment performance.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cashflow and liquidity

The cash inflow from operating activities during the year was £4.7m (2009: inflow £7.1m).

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.

Statement of Compliance

In preparing the Operating and Financial Review the Board has followed the principles set out in the SORP 2008.

Julian Tuck
Group Chief Executive
29 July 2010

WESTWARD HOUSING GROUP LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF WESTWARD HOUSING GROUP LIMITED

We have audited the financial statements of Westward Housing Group Limited for the year ended 31 March 2010 which comprise the Group and Association income and expenditure accounts, the Group and Association balance sheets, the Group cash flow statement and the Group and Association statements of total recognised surpluses and the related notes.

This report is made solely to the Association's members, as a body, in accordance with regulations made under Section 4 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 directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you, our opinion as to whether the financial statements give a true and fair view in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968, and whether the financial statements are in compliance with Chapter 127, Part II, Chapter 4 of the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

In addition, in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968 we report to you if, in our opinion, the association has not kept proper books of account, or maintained a satisfactory system of control, or the financial statements are not in agreement with the books of account of the society; or 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 the implications for our report if we become aware of any apparent misstatements within it.

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.

WESTWARD HOUSING GROUP LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF WESTWARD HOUSING GROUP LIMITED (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2010 and of the Group's and Association's income and expenditure for the year then ended
- the financial statements are in compliance with Chapter 127, Part II, Chapter 4 of the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Bristol, BSI 6FT
29 July 2010

WESTWARD HOUSING GROUP LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2010

	Note	2010 £000	2009 £000
Turnover: continuing activities	2	28,183	25,933
Operating costs: continuing activities	2	(23,987)	(22,652)
Operating surplus: continuing activities	4	<u>4,196</u>	<u>3,281</u>
Surplus on sale of properties	25	736	145
Interest receivable and other income	5	7	328
Interest payable and similar charges	6	(3,536)	(3,690)
Other finance costs	7	(72)	(31)
Surplus for the year	18	<u>1,331</u>	<u>33</u>
Net transfer from reserves	18	517	473
Surplus retained for the year	18	<u><u>1,848</u></u>	<u><u>506</u></u>

WESTWARD HOUSING GROUP LIMITED

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2010

	Note	2010 £ 000	2009 £ 000
Turnover: continuing activities	3	1,557	1,358
Operating costs	3	<u>(1,557)</u>	<u>(1,358)</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 2010

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Surplus for the financial year	1,331	33	-	-
Unrealised surplus on revaluation of investments	125	-	-	-
Actuarial loss relating to the pension scheme	<u>(275)</u>	<u>(499)</u>	<u>-</u>	<u>-</u>
Total recognised surpluses and deficits for the year	<u>1,181</u>	<u>(466)</u>	<u>-</u>	<u>-</u>

WESTWARD HOUSING GROUP LIMITED

CONSOLIDATED BALANCE SHEET At 31 March 2010

	Note	2010 £ 000	2009 £ 000
Tangible fixed assets			
Housing properties	9	248,424	228,769
Social housing grant	9	(143,348)	(130,020)
		<u>105,076</u>	<u>98,749</u>
Other fixed assets	10	2,030	1,603
		<u>107,106</u>	<u>100,352</u>
Investments	11	1,496	1,496
		<u>108,602</u>	<u>101,848</u>
Current assets			
Properties for sale		1,515	2,147
Debtors	12	2,904	3,646
Investments	13	2,655	655
Cash at bank and in hand		6,266	3,974
		<u>13,340</u>	<u>10,422</u>
Creditors: Amounts falling due within one year	14	(5,197)	(6,735)
Net current assets		<u>8,143</u>	<u>3,687</u>
Total assets less current liabilities		<u>116,745</u>	<u>105,535</u>
Creditors: Amounts falling due after more than one year			
Pension scheme deficit	15	83,348	73,538
	7	1,144	925
		<u>84,492</u>	<u>74,463</u>
Capital and reserves			
Share capital	17	-	-
Revaluation reserve	18	456	331
Designated reserve	18	8,788	9,305
Revenue reserve	18	23,009	21,436
Consolidated funds		<u>32,253</u>	<u>31,072</u>
		<u>116,745</u>	<u>105,535</u>

The financial statements were approved by the Board on 29 July 2010 and signed on its behalf by:

P Cowling
Chair

S Jones
Board Member

J Tuck
Board Member

WESTWARD HOUSING GROUP LIMITED

ASSOCIATION BALANCE SHEET

At 31 March 2010

	Note	2010 £ 000	2009 £ 000
Tangible fixed assets			
Other fixed assets	10	493	89
Current assets			
Debtors	12	66	44
Cash at bank and in hand		33	32
		99	76
Creditors: Amounts falling due within one year	14	(592)	(165)
Net current liabilities		(493)	(89)
Total assets less current liabilities		-	-
Capital and reserves			
Non-equity share capital	17	-	-
Revenue reserve	18	-	-
Association's funds		-	-
		-	-

The financial statements were approved by the Board on 29 July 2010 and signed on its behalf by:

P Cowling
Chair

S Jones
Board Member

J Tuck
Board Member

WESTWARD HOUSING GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2010

	Note	2010 £ 000	2009 £ 000
Net cash inflow from operating activities	20	4,676	7,119
Returns on investments and servicing of finance	21	(3,522)	(4,024)
Capital expenditure	21	<u>(5,862)</u>	<u>(13,983)</u>
Net cash outflow before management of liquid resources and financing		(4,708)	(10,888)
Management of liquid resources	21	(2,000)	10,537
Financing	21	<u>9,000</u>	<u>1,957</u>
Increase in cash	22	<u>2,292</u>	<u>1,606</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

I ACCOUNTING POLICIES

Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the TSA as a housing provider.

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice: Accounting by registered social landlords, issued in January 2008 (SORP 2008) and comply with the Accounting Requirements for registered social landlords General Determination 2006.

Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using acquisition accounting.

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.

Revenue recognition

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

I ACCOUNTING POLICIES (CONTINUED)

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" reflects 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.

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.

I ACCOUNTING POLICIES (CONTINUED)

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.

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

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

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

I ACCOUNTING POLICIES (CONTINUED)

Capitalisation of interest

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

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they have been deemed to be financing the development programme.

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

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%
Alarm equipment	33%

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.

I ACCOUNTING POLICIES (CONTINUED)

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.

Donated Land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included in income.

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.

Supporting People

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Leased Assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rental incomes is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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

	2010			2009		
	Turnover	Operating Costs	Operating Surplus/ (deficit)	Turnover	Operating Costs	Operating Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Social housing lettings (note 3)	22,228	(18,408)	3,820	20,646	(17,861)	2,785
Other social housing activities						
Supporting people contract income	3,366	(3,206)	160	2,762	(2,692)	70
Development department costs not capitalised	-	(354)	(354)	-	(109)	(109)
Homebuy agency	909	(501)	408	451	(125)	326
First tranche sales proceeds	1,436	(1,309)	127	1,888	(1,665)	223
Other	78	(85)	(7)	25	(52)	(27)
	5,789	(5,455)	334	5,126	(4,643)	483
Non-social housing activities						
Lettings	25	-	25	20	-	20
Other	141	(124)	17	141	(148)	(7)
	166	(124)	42	161	(148)	13
Total	28,183	(23,987)	4,196	25,933	(22,652)	3,281

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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

	2010			2009		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£000	£000	£000	£000	£000	£000
Social housing lettings	-	-	-	-	-	-
Other social housing activities						
Management Services	1,557	(1,557)	-	1,358	(1,358)	-
	<u>1,557</u>	<u>(1,557)</u>	<u>-</u>	<u>1,358</u>	<u>(1,358)</u>	<u>-</u>
Total	<u>1,557</u>	<u>(1,557)</u>	<u>-</u>	<u>1,358</u>	<u>(1,358)</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 2010

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

Group

	General housing	Housing for older people	Supported housing	Shared ownership	Managed housing	2010 Total	2009 Total
	£000	£000	£000	£000	£000	£000	£000
Turnover from social housing lettings							
Rent receivable, net of identifiable service charges	13,423	3,534	875	1,571	-	19,403	18,035
Charges for support services	-	450	119	32	31	632	636
Service charges receivable	588	438	747	314	106	2,193	1,975
Turnover from social housing lettings	<u>14,011</u>	<u>4,422</u>	<u>1,741</u>	<u>1,917</u>	<u>137</u>	<u>22,228</u>	<u>20,646</u>
Expenditure on social housing lettings							
Services	(640)	(586)	(576)	(265)	(105)	(2,172)	(2,178)
Management	(2,148)	(713)	(665)	(157)	-	(3,683)	(3,549)
Support	-	(614)	(114)	(28)	(24)	(780)	(763)
Routine maintenance	(2,338)	(791)	(218)	-	-	(3,347)	(3,404)
Planned maintenance	(656)	(334)	(106)	-	-	(1,096)	(773)
Major repair expenditure	(3,756)	(1,691)	(535)	(35)	-	(6,017)	(6,226)
Bad debts	(11)	(6)	(17)	-	-	(34)	(98)
Depreciation of housing properties	(779)	(64)	(53)	(142)	-	(1,038)	(870)
Impairment of housing properties	(241)	-	-	-	-	(241)	-
Operating costs on social housing lettings	<u>(10,569)</u>	<u>(4,799)</u>	<u>(2,284)</u>	<u>(627)</u>	<u>(129)</u>	<u>(18,408)</u>	<u>(17,861)</u>
Operating surplus/(deficit) on social housing lettings	<u>3,442</u>	<u>(377)</u>	<u>(543)</u>	<u>1,290</u>	<u>8</u>	<u>3,820</u>	<u>2,785</u>
Voids	<u>(206)</u>	<u>(59)</u>	<u>(123)</u>	<u>(7)</u>	<u>-</u>	<u>(395)</u>	<u>(267)</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

4 OPERATING SURPLUS

This is arrived at after charging:

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Depreciation of housing properties	1,037	871	-	-
Depreciation of other tangible fixed assets	209	210	45	6
Deficit on disposal of other tangible fixed assets	32	24	-	-
Auditors' remuneration (including VAT)				
- for external audit services	20	23	3	4
- for internal audit services:	20	31	5	3

5 INTEREST RECEIVABLE AND OTHER INCOME

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Income from cash deposits	7	328	-	-

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Interest on loans	3,889	4,010	-	-
Interest payable capitalised on housing properties under construction	(353)	(320)	-	-
	3,536	3,690	-	-
Capitalisation rate used to determine the finance costs capitalised during the period	4.57%	2.81%	-	-

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

7 EMPLOYEES

Average monthly number of employees expressed in full time equivalents:

	Group		Association	
	2010 No.	2009 No.	2010 No.	2009 No.
Office staff	137	124	32	29
Scheme managers, tradesmen and project based staff	195	180	-	-
	<u>332</u>	<u>304</u>	<u>32</u>	<u>29</u>

Employee costs:

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £000	2009 £ 000
Wages and salaries	7,034	6,238	897	819
Social security costs	548	484	73	67
Other pension costs	624	796	114	103
	<u>8,206</u>	<u>7,518</u>	<u>1,084</u>	<u>989</u>

The Group's employees are members of the Social Housing Pension Scheme (SHPS) or Devon County Council Pension Fund (DCPF). Further information on each scheme is given below.

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 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate

Final salary with a 1/70th accrual rate

Career average revalued earnings with a 1/60th accrual rate.

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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 1/60th accrual rate benefit structure for active members as at 1 April 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007. This does not reflect any benefit structure changes made from April 2010.

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. The annual pensionable payroll of these members was £454,914. 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 2010

7 EMPLOYEES (CONTINUED)

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

Valuation discount rates	%pa
– 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 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average revalued earnings with a 1/60 th 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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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 (Group:£12,925,000).

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

7 EMPLOYEES (CONTINUED)

Devon County Council Pension Fund

Devon County Council Pension Fund ("the scheme") is a multi-employer scheme with more than one participating employer which 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 2010.

The employers contributions to the DCCPF by the Group for the year ended 31 March 2010 were £196,000 (2009: £202,000) at a contribution rate of 3% of pensionable salaries set until the next funding valuation at 31 March 2010. Estimated employer contributions to the DCCPF during the accounting period commencing 1 April 2010 are £160,000.

Financial assumptions

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

	2010 % per annum	2009 % per annum
Rate of increase in salaries	5.4	5.1
Rate of increase in pensions in payment	3.9	3.6
Discount rate	5.5	6.5
Inflation assumption	4.0	3.6

Post retirement mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2009 and March 2010 are consistent with those used for the formal funding valuation as at 31 March 2007 and are based on PA95 series projected to calendar year 2007 for pensioners and 2018 for non-pensioners.

Males	2010 Years	2009 Years
Future lifetime from age 65 (currently aged 65)	23.1	23.1
Future lifetime from age 65 (currently aged 45)	25.4	25.4

Females	2010 Years	2009 Years
Future lifetime from age 65 (currently aged 65)	25.0	25.0
Future lifetime from age 65 (currently aged 45)	27.3	27.3

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

7 EMPLOYEES (CONTINUED)

Expected return on assets

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 to 31 March 2010). The return on gilt and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields. The expected returns on assets are:

	Expected return on assets at		
	1 April 2010	1 April 2009	1 April 2008
	% pa	% pa	% pa
Equities	7.5	7.0	7.6
Gilts	4.5	4.0	4.6
Bonds	5.5	5.8	6.8
Properties	6.5	6.0	6.6
Cash	3.0	1.6	6.0

Major categories of plan assets as a percentage of total plan assets

	2010	2009
	%	%
Equities	69	52
Gilts	17	22
Bonds	-	1
Properties	6	8
Cash	7	17

Reconciliation of funded status to balance sheet

	2010 £000	2009 £000
Notional value of assets	1,890	1,249
Present value of liabilities	(3,034)	(2,174)
Net pension liability	<u>(1,144)</u>	<u>(925)</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

7 EMPLOYEES (CONTINUED)

Analysis of Income and Expenditure charge

	2010	2009
	£000	£000
Current service cost	70	130
Past service cost	-	-
Interest cost	143	124
Expected return on assets	(71)	(93)
Loss on curtailments and settlements	28	-
Expense recognised	<u>170</u>	<u>161</u>

Of the above amount £98,000 was charged to operating deficit and £72,000 was charged to other finance costs.

Changes to the present value of liabilities during the accounting period

	2010	2009
	£000	£000
Opening present value of liabilities	2,174	1,738
Current service cost	70	130
Interest cost	143	124
Contributions by participants	49	53
Actuarial losses on liabilities	634	133
Net benefits paid out	(64)	(4)
Losses on curtailments	28	-
Closing present value of liabilities	<u>3,034</u>	<u>2,174</u>

Changes to the fair value of assets during the accounting period

	2010	2009
	£000	£000
Opening fair value of assets	1,249	1,271
Expected return on assets	71	93
Actuarial gains/(losses) on assets	359	(366)
Contributions by employer	226	202
Contributions by participants	49	53
Net benefits paid out	(64)	(4)
Closing fair value of assets	<u>1,890</u>	<u>1,249</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

7 EMPLOYEES (CONTINUED)

Actual return on assets

	2010 £000	2009 £000
Expected return on assets	71	93
Actuarial gain / (loss) on assets	359	(363)
Actual return on assets	<u>430</u>	<u>(270)</u>

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

	2010 £000	2009 £000
Total actuarial losses	<u>(275)</u>	<u>(499)</u>

8 BOARD MEMBERS AND EXECUTIVE DIRECTORS

	2010 £ 000	2009 £ 000
Emoluments of the Group's executive directors excluding pension contributions but including benefits in kind	<u>197</u>	<u>189</u>

Emoluments of the Chief Executive, who was also the highest paid director, excluding pension contributions but including benefits in kind	<u>109</u>	<u>106</u>
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	2010 No.	2009 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	5	10
£1 - £5,000	4	-
£5,001 - £10,000	1	-
£85,001 - £90,000	1	1
£105,001 - £110,000	1	1

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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 £11,173 (2009: £10,236).

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 4. 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 2010

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
Cost						
At 1 April 2009	189,630	11,115	28,822	4,077	1,092	234,736
Schemes completed in year	15,223	(15,223)	4,603	(4,603)	-	-
Additions	1,688	17,027	496	1,595	-	20,806
Works to existing properties	371	-	-	-	-	371
Transfers	-	119	-	(119)	-	-
Disposals	(107)	-	(509)	-	-	(616)
Interest capitalised	-	312	-	41	-	353
At 31 March 2010	<u>206,805</u>	<u>13,350</u>	<u>33,412</u>	<u>991</u>	<u>1,092</u>	<u>255,650</u>
Depreciation						
At 1 April 2009	4,968	-	743	-	256	5,967
Depreciation charge for year	896	-	141	-	-	1,037
Impairment charge for year	241	-	-	-	-	241
Disposals	(2)	-	(17)	-	-	(19)
At 31 March 2010	<u>6,103</u>	<u>-</u>	<u>867</u>	<u>-</u>	<u>256</u>	<u>7,226</u>
Cost less depreciation						
At 31 March 2010	<u>200,702</u>	<u>13,350</u>	<u>32,545</u>	<u>991</u>	<u>836</u>	<u>248,424</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 2010

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
SHG & Other public subsidy						
At 1 April 2009	107,833	4,494	15,888	969	836	130,020
Schemes completed in year	6,949	(6,949)	1,215	(1,215)	-	-
Additions	1,824	11,026	39	808	-	13,697
Repayments/abatements	(80)	-	(289)	-	-	(369)
At 31 March 2010	<u>116,526</u>	<u>8,571</u>	<u>16,853</u>	<u>562</u>	<u>836</u>	<u>143,348</u>
				2010	2009	
				£000	£000	
Net book value of all properties						
Freehold land and buildings			101,588	95,087		
Long leasehold land and buildings			3,488	3,662		
Short life properties			-	-		
			<u>105,076</u>	<u>98,749</u>		

Direct costs relating to development administration capitalised in the year amounted to £457,622 (2009: £532,940)

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

Works to existing properties

	2010	2009
	£000	£000
Amounts capitalised	371	-
Amounts charged to income and expenditure account	6,017	6,226
	<u>6,388</u>	<u>6,226</u>

Social Housing grant

	2010	2009
	£000	£000
Total accumulated social housing grant received or receivable at 31 March:		
Capital grant	143,348	130,020
	<u>143,348</u>	<u>130,020</u>

Impairment

An impairment provision of £241,325 was made in March 2010 to reduce the carrying value of land purchased at Denners Way, Uffculme to its value in use, being the estimated recoverable amount.

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

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
Cost or Valuation								
At 1 April 2009	275	939	27	569	202	1,131	105	3,248
Additions	-	-	-	37	103	419	-	559
Disposals	-	(4)	-	(6)	-	(12)	(55)	(77)
Revaluation	125	-	-	-	-	-	-	125
At 31 March 2010	<u>400</u>	<u>935</u>	<u>27</u>	<u>600</u>	<u>305</u>	<u>1,538</u>	<u>50</u>	<u>3,855</u>
Depreciation								
At 1 April 2009	-	105	6	434	151	895	54	1,645
Charged in year	-	14	-	57	21	102	15	209
Disposals	-	-	-	(1)	-	-	(28)	(29)
At 31 March 2010	<u>-</u>	<u>119</u>	<u>6</u>	<u>490</u>	<u>172</u>	<u>997</u>	<u>41</u>	<u>1,825</u>
Net Book Value								
At 31 March 2010	<u>400</u>	<u>816</u>	<u>21</u>	<u>110</u>	<u>133</u>	<u>541</u>	<u>9</u>	<u>2,030</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 £400,000. This valuation has been undertaken by Mr. A. Herridge BA MRICS, Ridge Property Consulting Ltd as at 28 August 2009, 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 2010

10 TANGIBLE FIXED ASSETS - OTHER (CONTINUED)

Association

	Furniture, fittings, fixtures & equipment	Computer hardware & software	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2009	-	95	95
Additions	62	387	449
At 31 March 2010	<u>62</u>	<u>482</u>	<u>544</u>
Depreciation			
At 1 April 2009	-	6	6
Charged in year	1	44	45
At 31 March 2010	<u>1</u>	<u>50</u>	<u>51</u>
Net Book Value			
At 31 March 2010	<u>61</u>	<u>432</u>	<u>493</u>
At 31 March 2009	<u>-</u>	<u>89</u>	<u>89</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

11 TANGIBLE FIXED ASSETS - INVESTMENTS

Group

	Fixed rate bonds £ 000
At 1 April 2009 and 31 March 2010	<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 DEBTORS

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £ 000	2009 £ 000
Due within one year				
Rent and service charges receivable	647	722	-	-
Tenants other debts	35	32	-	-
Less: Provision for bad and doubtful debts	(173)	(178)	-	-
	<u>509</u>	<u>576</u>	<u>-</u>	<u>-</u>
Social housing grant receivable	-	1,575	-	-
Other debtors	2,337	1,431	63	41
Loans to employees	58	64	3	3
	<u>2,904</u>	<u>3,646</u>	<u>66</u>	<u>44</u>

Loans to Westward Housing Group employees totalling £2,621 (2009: £2,746) have been made to 2 employee (2009:1) 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 £54,758 (2009: £61,236) have been made to 15 employees (2009:16) 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 2010

13 CURRENT ASSET INVESTMENTS

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £000	2009 £ 000
Balances held on deposit with banks and building societies	2,655	655	-	-
	<u>2,655</u>	<u>655</u>	<u>-</u>	<u>-</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £000	2009 £ 000
Housing loans (see note 16)	79	70	-	-
Accrued interest payable	637	630	-	-
Rent and service charges received in advance	324	236	-	-
Retentions	555	608	-	-
Trade creditors	964	1,477	-	-
Amounts owed to group undertakings	-	-	438	72
Other taxation and social security	26	44	-	16
Other creditors	1,994	3,055	154	77
National Lottery	-	6	-	-
Recycled capital grant – within one year (note 24)	618	609	-	-
	<u>5,197</u>	<u>6,735</u>	<u>592</u>	<u>165</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2010	2009	2010	2009
	£ 000	£ 000	£000	£ 000
Housing loans (note 16)	83,348	73,538	-	-
	<u>83,348</u>	<u>73,538</u>	<u>-</u>	<u>-</u>
	<u><u>83,348</u></u>	<u><u>73,538</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

16 HOUSING LOANS ANALYSIS

	Group		Association	
	2010	2009	2010	2009
	£ 000	£ 000	£000	£ 000
Due within one year				
Bank loans	79	70	-	-
	<u>79</u>	<u>70</u>	<u>-</u>	<u>-</u>
	<u><u>79</u></u>	<u><u>70</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

	Group		Association	
	2010	2009	2010	2009
	£ 000	£ 000	£000	£ 000
Due after more than one year				
Bank loans	45,482	36,538	-	-
The Housing Finance Corporation Ltd	37,866	37,000	-	-
	<u>83,348</u>	<u>73,538</u>	<u>-</u>	<u>-</u>
	<u><u>83,348</u></u>	<u><u>73,538</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

16 HOUSING LOANS ANALYSIS (CONTINUED)

	Group		Association	
	2010 £ 000	2009 £ 000	2010 £000	2009 £ 000
Within one year	79	70	-	-
Between one and two years	90	80	-	-
Between two and five years	334	299	-	-
After five years	82,924	73,159	-	-
	<u>83,427</u>	<u>73,608</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 the 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 of £0.866m. The premium is included within loans and is charged back to the income and expenditure account over the term of the loan. The loan 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 Santander (formerly 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 is 2035.

Loans with Barclays Capital are included in bank loans at £11m. 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 is 2032.

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

17 SHARE CAPITAL

	2010 £	2009 £
Shares of £1 each issued and fully paid		
At 1 April	11	12
Shares issued in year	3	-
Shares surrendered in year	(2)	(1)
At 31 March	<u>12</u>	<u>11</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.

18 RESERVES

Group	Revaluation Reserve	Designa- ted and Major Repairs Reserve	Revenue Reserve	Total Reserves
	£ 000	£ 000	£ 000	£ 000
At 1 April 2009	331	9,305	21,436	31,072
Surplus for the year	-	-	1,331	1,331
Actuarial loss relating to pension scheme	-	-	(275)	(275)
Transfers from reserves	-	(517)	517	-
Revaluation of Investment Property	125	-	-	125
At 31 March 2010	<u>456</u>	<u>8,788</u>	<u>23,009</u>	<u>32,253</u>
Association	Revaluation Reserve	Major Repairs Reserve	Revenue Reserve	Total Reserves
	£ 000	£ 000	£ 000	£ 000
At 1 April 2009	-	-	-	-
Surplus for the year	-	-	-	-
At 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

19 FINANCIAL COMMITMENTS

The group capital expenditure commitments are as follows:

	2010	2009
	£ 000	£ 000
Capital commitments		
Expenditure contracted for but not provided for in the accounts	<u>21,659</u>	<u>8,844</u>

20 CONSOLIDATED RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£ 000	£ 000
Operating surplus	4,196	3,281
Depreciation of tangible fixed assets	1,246	1,081
Impairment of tangible fixed assets	241	-
Loss on disposal of other tangible fixed assets	32	24
Pensions operating charge	98	130
Pension contributions paid	(226)	(202)
	<u>5,587</u>	<u>4,314</u>
Working capital movements		
Housing Properties for sale	632	210
Debtors	(2,415)	(81)
Creditors	872	2,676
Net cash inflow from operating activities	<u><u>4,676</u></u>	<u><u>7,119</u></u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

21 CONSOLIDATED GROSS CASH FLOWS

	2010	2009
	£ 000	£ 000
Returns on investments and servicing of financing		
Interest received	98	611
Interest paid	(3,620)	(4,635)
	<u>(3,522)</u>	<u>(4,024)</u>
Capital expenditure and financial investment		
Acquisition and construction of housing properties	(19,908)	(19,498)
Purchase of other fixed assets	(559)	(178)
Capital grants received	13,328	5,335
Sales of housing properties	1,261	281
Sales of other fixed assets	16	77
	<u>(5,862)</u>	<u>(13,983)</u>
Management of liquid resources		
Movement in deposits and fixed term deposits	(2,000)	10,537
Financing		
Loan advances received	9,000	5,000
Loan principal repayments	-	(3,043)
	<u>9,000</u>	<u>1,957</u>

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

22 CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT

	1 April 2009 £ 000	Cashflows £ 000	Non-cash movement £ 000	31 March 2010 £ 000
Cash in hand and at bank	3,974	2,292	-	6,266
Current			-	
asset investments	655	2,000		2,655
Debt due within 1 year	(70)	-	(9)	(79)
Debt due after 1 year	(73,538)	(9,000)	(810)	(83,348)
Total	(68,979)	(4,708)	(819)	(74,506)

	2010 £ 000	2009 £ 000
Reconciliation of net cash flow to movement in net debt		
Increase in cash in year	2,292	1,606
Cash flow from decrease/(increase) liquid resources	2,000	(10,537)
Cash received from loan advances	(9,000)	(5,000)
Cash to repay loan principals	-	3,043
Non-cash movement	(819)	-
Change in net debt	(5,527)	(10,888)
Net debt at 1 April	(68,979)	(58,091)
Net debt at 31 March	(74,506)	(68,979)

WESTWARD HOUSING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

23 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 2010 was:

	Units under development		Units in management	
	2010	2009	2010	2009
Housing for letting	216	155	4,791	4,697
Shared ownership	37	13	943	837
Leasehold schemes for the elderly	-	-	75	75
Supported housing bedspaces	-	-	542	533

In addition the subsidiaries of the Group manage the following units

	2010	2009
Private Sector Leasing	74	86
Managed schemes	111	110
Right to buy units	208	204
Shops	3	3

24 GROUP RECYCLED CAPITAL GRANT FUND

	2010	2009
	£ 000	£ 000
At 1 April	609	796
Grants recycled	322	36
Interest accrued	3	26
Purchase/ development of properties	(316)	(249)
Balance at 31 March	<u>618</u>	<u>609</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 2010

25 GROUP SURPLUS ON SALE OF PROPERTIES

	2010 £ 000	2009 £ 000
Proceeds of sale	1,292	281
Cost of sales	(556)	(136)
Surplus	<u>736</u>	<u>145</u>

26 OPERATING LEASES

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

	2010 No.	2009 No.
Motor vehicle leases expiring:		
Within one year	-	-
One to five years	1	1
Beyond five years	-	-

27 CONTINGENT LIABILITIES

Subsequent to the year end, Swan Country Homes (Treston House), which was undertaking property building work for the group at 31 July 2010, has entered into liquidation.

An internal assessment of the projected cost of the completed scheme has now been completed using in part a cost to complete estimate obtained from the contractor's banker. This assessment estimates a total amount of £1.53 million compared against the original budgeted cost of £1.49 million. Any extra costs incurred are covered by NHBC insolvency insurance.