

Housing Corporation Registration No. LH0032
Industrial and Provident Society Registration No. 18195R

Hyde Housing Association Limited

Report and Financial Statements

31 March 2008



Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	Page
Board and advisors	1
Report of the Hyde Group Board	3
Operational and Financial Review	6
Statement of the Board's responsibilities	14
Corporate Governance	15
Statement on internal control	16
Independent auditors' report	17
Consolidated income and expenditure account	19
Consolidated statement of total recognised surpluses and deficits	19
Association income and expenditure account	20
Association statement of total recognised surpluses and deficits	20
Consolidated balance sheet	21
Association balance sheet	22
Consolidated cash flow statement	23
Notes to the accounts	24-59

Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

BOARD AND ADVISORS

BOARD

Julie Hollyman	(Chair)
Nicholas Badman	
Derrick Biggs	
Elizabeth Butler	
Sharon Darcy	
Kishwer Falkner	
Nicolas Gooderham	
Janet Green	
David Hancock	Resigned 4 September 2007
Brian Jolly	
Christopher May	Co-opted 24 January 2008
Prodaman Sarwal	
Valerie Taylor	
David Eastgate (Group Chief Executive)	
John Unsworth (Group Finance Director)	Appointed 24 January 2008

EXECUTIVE MANAGEMENT OFFICERS

Austen Reid (Group Operations Director)
Caroline Titley (Group Corporate Services Director) Resigned 2 November 2007
Tom Titherington (Group Business Development Director)
Tim Coppard (Acting Group Finance Director until 1 January 2008)

The Group Chief Executive and Group Finance Director are also members of the Executive Management Team in addition to being members of the Board.

SECRETARY

John Edwards

REGISTERED OFFICE

Leegate House
Burnt Ash Road
Lee Green
London
SE12 8RR

Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

BANKERS

National Westminster Bank Plc
143 High Street
Bromley
Kent
BR1 1JH

SOLICITORS

Judge and Priestley
Coffin Mew
EBW Law
Sharratts (London)
Trowers & Hamlin
Burgess Salmon
Abels
Barnes Morley
Blake Lapthorn Tarlo Lyons
Howarth Goodman

Norton Rose
Marsons
Thackray Williams
Maclay, Murray & Spens
Devonshires
Bevan Brittan
Parry Sharratts
Dutton Gregory
Lewis Silkin
Whitehead & Co

AUDITORS

PricewaterhouseCoopers LLP
80 Strand
London WC2R 0AF

Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

REPORT OF THE HYDE GROUP BOARD

Principal activities

The Hyde Group is primarily a group of not for profit organisations whose business is the provision and management of good quality accommodation at affordable rents. Within the Group there are other two non charitable organisations, Hyde Vale Ltd, which develops property for commercial outright sale and Martlet Homes Ltd, which is a Registered Social Landlord without charitable status. Martlet Homes Ltd joined the Hyde Group on 14 December 2007. Intouch Support Limited provides support and care within the Group.

Chief Executive

The Group Chief Executive is David Eastgate.

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 board report.

Housing property assets

Details of changes to the Group's fixed assets are shown in Note 9 to the financial statements.

Reserves

Surplus for the year after taxation is £17.7M (2007: £13.8M). After transfer between reserves (Note 23), the total revenue reserves amounted to £138.1M (2007: £121.1M). Total capital and reserves netted to £294.1M (2007: £161.4M)

Political and charitable contributions

During the year the Group made no political contributions (2007 – nil) and any charitable contributions are made within the normal operating activities.

Post balance sheet events

The Group considers there have been no events since the year end that have had a significant effect on its financial position.

Payment of creditors

The Group's aim is to pay its creditors within an average of 28 days.

Financial instruments

The Group's approach to financial risk management is outlined in the Operational and Financial Review.

Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

REPORT OF HYDE GROUP BOARD (CONTINUED)

Employees

The strength of the Group lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to customers in an efficient and effective manner depends upon their contribution.

The Group shares information on its objectives, progress and activities through regular team and departmental meetings involving Board members, the Executive Management Team and staff. In addition there are regular staff newsletters and the Group consults with staff and Union representatives on matters affecting staff.

The Group recognises legal and social obligations with regard to the employment of disabled persons and those from black and minority ethnic communities. Applications for employment by disabled persons are given full consideration, taking account of aptitude and ability. The Group recognises its responsibility to support staff who become disabled during the course of their employment. As with all employees, general training and promotion are available to disabled employees and those from black and minority ethnic communities.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the members of the executive management team of the Association are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience. In recognition of the increasing challenges facing the Board, and the time and effort that they put in the Association now remunerates Board members and details are disclosed in note 30.

No members of the executive management team hold any interest in the Association's shares and act as executives within the authority delegated by the Board.

Full details of their remuneration are included in Note 30 to the audited financial statements.

Pensions

The review of the scheme design and funding structure for future service benefit accrual into the Defined Benefit Scheme is now complete. The Board made the decision to amend the Scheme basis with effect from 1 April 2007. The new design provides a core defined benefit promise calculated on a Career Average Revalued Earnings basis and allows access to an optional defined contribution top-up account. Some staff remain members of other schemes, full details are set out in note 29.

The Board remains committed to funding the past service deficit, and made the second payment of £4.8m into the pension scheme during the year.

NHF code of governance

A code of governance *Competence and Accountability 2004* was published by the National Housing Federation in June 2004. It is intended for the guidance of housing associations so that they can continue to follow the highest standards of governance, accountability and probity whilst responding to an environment of change and risk. The Group complies with the code in all material respects.

Customer involvement

The Group actively encourages customers' involvement in decision making by promoting a broad range of mechanisms of involvement and the approach is outlined in the Group's resident involvement strategy.

Hyde Housing Association Limited

REPORT AND FINANCIAL STATEMENTS 2008

REPORT OF HYDE GROUP BOARD (CONTINUED)

Internal controls assurance

The Board's responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness is set out in the Statement on Internal Control on page 16

Executive members' liability insurance

The Group is covered under the National Housing Federation's Directors and Officers Liability policy as a benefit of its membership. We also have additional independent top-up cover to indemnify directors and officers against legal liability arising from claims made against them as a result of any wrongful act in their capacity as director or officer of the Group.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP (PwC) was passed at the 2007 AGM. A resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.



Julie Hollyman
Chair of the Board
3 July 2008

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

Background:

The Hyde Group is a leading provider of affordable housing mainly in London and Southeast England. The Group provides housing and related services to over 100,000 people in its operating region. The Group consists of the following organisations:

- the parent body, Hyde Housing Association Limited operating in London, Kent, Surrey, Sussex and Hampshire
- Hyde Southbank Homes Limited (HSH) an LSVT based in Lambeth
- Hillside Housing Trust responsible for redeveloping the Stonebridge Estate in Brent
- Minster General Housing Association based in Peterborough and operating predominantly in Cambridgeshire and Northamptonshire
- Hyde Charitable Trust funds regeneration activities that support disadvantaged young people
- Hyde Vale Limited, a company with non-charitable status undertaking market rent and outright sales
- In Touch Support Limited is a supported housing subsidiary with a strong focus on support services
- Martlet Homes Limited and its subsidiary Matrix Charitable Foundation which joined the Group on 16 December 2007 and is based in Chichester, and
- Brent Co-Efficient Ltd is a company limited by guarantee registered on 26 November 2007, a wholly owned subsidiary of Hyde HA acting as special purpose vehicle to deliver a PFI project in the London Borough of Brent and currently dormant.

In 2007/8 the Group owned and managed on average 36,880 homes (2007: 28,867) and managed on average 6,645 homes (2007: 6,608) under PFI contracts with LB Islington and LB Brent. The movement in units includes growth through the development programme, Martlet joining the Group and inclusion of units for Supported Housing omitted from 2007. The increase in leaseholder units reflects a reclassification of fully staircased shared ownership units.

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

Activities:

As shown in note 2 of the financial statements, The Hyde Group is diverse and operates in the following key business streams:

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

External Influences:

The environment Hyde operates in creates a number of challenges and opportunities, these include:

- income restriction through rent restructuring and the limits on supporting people grant
- pressure on operating costs due to wage and maintenance cost inflation

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

- competition for capital and revenue grants
- Government’s desire to increase the production of housing of all tenures
- pressure from the Audit Commission to improve housing services through inspection regime combined with increasing customer demands / expectations including the need to deal with anti-social behaviour
- managing mixed tenure estates including large numbers of leaseholders and owner occupiers
- the requirement to meet the Decent Homes standard by 2010 which impacts on the Group’s own stock whilst creating opportunities to assist Local Authorities meet the standard through stock transfer
- competition to recruit and retain skilled staff and
- pressure on the availability of private finance to fund ongoing development opportunities of the Group.

The Business Plan deals with the Group’s responses to the above challenges.

Objectives and Strategies:

The Group’s objectives and strategies are set out in the annual Business Plan and are approved by the Board each year. Three key objectives and related performance indicators are identified below.

DIRECTORATE	OBJECTIVE	ACTIONS
Operations	Improve service delivery, in line with customer needs and aspirations	<ul style="list-style-type: none"> • Establish a new sub committee of the Board, the Customer Service Assurance Committee, with significant resident representation to establish a resident led service inspection regime and oversee the housing service quality assurance strategy. • To support our residents through the Hydewide Residents Voice to define the groups service standards. • To implement a customer relationship management system through our ACE service improvement programme. • To establish a framework to receive regular feedback and deliver the action plan derived from the 2007 customer satisfaction survey.
Business Development	Significantly increase the number of people the Group serves.	<ul style="list-style-type: none"> • To develop on average 800 units per annum for rent and sale. • Assess inorganic growth opportunities and bid for regeneration schemes, stock transfers and consider partnerships with suitable RSL’s.
Finance	Improve the financial strength of the Group to support a wider range of services.	<ul style="list-style-type: none"> • Financial frameworks will be fit for purpose and assist the Group to prosper and deliver its social purpose. • Negotiate robust financing deals and improve cost of funding.

The Executive Management Team and Group Board monitor the Group’s performance against its objectives through a number of performance indicators.

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

DIRECTORATE	OBJECTIVE	ACTIONS
Operations	Improve services	<ul style="list-style-type: none"> • Rent collection rate • Current rent arrears • Voids and bad debts loss • Void properties • Void turnaround time • Maintenance on time • Tenant satisfaction • Complaints • Anti Social Behaviour • Customer consultation • Equality and Diversity
Business Development	Significantly increase the number of people the Group serves	<ul style="list-style-type: none"> • Cash planning targets • Completions • Decent Homes Standard • SAP ratings
Finance	Improve the financial strength of the Group to support a wider range of services.	<ul style="list-style-type: none"> • Operating margins • Interest cover • Gearing

Risk and Uncertainties:

The risks facing the Group are identified and quantified in a comprehensive risk management framework. The risks are robustly managed through the governance and management structures. Significant risks impacting on the Group's strategy are reported to the Group Board, the key risks are:

Key Risks	Status	Impact on Strategic Objectives
Downturn in the Housing Market and impact of the credit squeeze	Most of the Group's development programmes are mixed tenure with a substantial proportion including shared ownership. A downturn in the market could impact on the demand for shared ownership properties and the price that can be obtained, which affect the financial viability of the scheme. Lower demand and values for outright sales units will reduce the profit for Hyde Vale and the gift aid payment to Hyde HA.	Finance Development
Maintenance Cost Increases	High proportion of the stock being clustered around the South East, experiencing high price increases coupled with shortages of sub contractors associated with '2012 Olympic'.	Finance Asset Management

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

Interest Rate Exposure	An increase in interest rate of 0.5% would increase the Group interest charge by £1.05M with the current loan portfolio.	Finance
Net cost of development programme higher than planned	The Group needs to be one of the Housing Corporation's development partners, expected to deliver efficiencies in development cost per unit. The shortages of subcontractors and increasing development costs resulting in higher Group borrowing.	Finance Development
Failure to retain business critical staff	Retention of quality staff and managers is the key to successful delivery of the business plan.	Customer Services Finance Development
Customer service performance failure	Performance failure in our services to our customers would affect our rating with the Housing Corporation and our reputation in the sector.	Customer Services

Financial Performance:

The Group's Income & Expenditure statement and the balance sheet is summarised in the Table 1.

The Group made a surplus of £17.7M during the year (2007: £13.8M) ahead of its budget expectations. During the year the Group continued to experience cost pressure from routine maintenance, property leases and major repairs. The Group continues its programme of spend on major repairs and improvements to its older properties. The Group has spent £50.7M in major repairs and maintenance costs during the year (2007: £63M). During 2008/09 the Group will continue to roll out our planned maintenance programme, which will ensure that it meets the Decent Homes standard by 2010. The Group continues to be committed to providing a high quality customer service as the ACE (Achieving Customer Excellence) programme moves to the next phase and aims to concentrate on transforming the customer service and maximise the benefits of technology through the implementation of the customer relationship management system. The £17.3M surplus on property disposals includes planned disposals, staircasing receipts and right to buy sales. Planned disposals are in line with Group Asset Management strategy and targets properties that are uneconomical to retain.

The Group's Accounting policies are set out in the pages 18 to 19 of the financial statements. The policies that are most critical to the financial results relate to the accounting for housing properties and include: capitalisation of interest and development administration costs: deduction of capital grant from the cost of the costs of assets: housing property depreciation: and the treatment of shared ownership properties is consistently applied during the year.

The pension asset relates to the Hyde Housing Association defined benefit scheme and the Lambeth Scheme. The asset of £5.77M as stated in note 20 has moved from being a liability (2007: £6.51M) as a result of additional contributions and investment gains.

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

The Group balance sheet summary in Table 1 shows a group assets base of £1,115.3M. The Group spent £268.3M in the year in acquisition development and improvement of the housing properties and was funded by £93M of a net increase in long-term loans and the remainder by social housing grant and working capital. The reducing development grant rates and the Group's reliance on external loan funding is reflected in the increased balance sheet gearing from 61% (2007) to 67% (2008).

Capital Structure and Treasury:

The Group is financed by a combination of retained reserves, long-term loan facilities and Social Housing Grants. The treasury team operates within strict policies and guidelines, approved by the Hyde Group Board, designed to maintain an efficient capital structure whilst managing the Group liquidity and interest rate risks.

Group Borrowing				
	2008		2007	
	£M		£M	
Fixed Rate	655.1	79.5%	344.8	56%
Variable Rate	168.8	20.5%	275.0	44%
Total drawn down	823.9		619.8	
Available facilities	1,025.0		839.2	

Maturity Period		
	2008	2007
	£M	£M
0-1 years	30.1	36.1
1-2 years	13.5	3.6
2-3 years	2.5	9.0
3-5 years	7.3	7.8
More than 5 years	770.5	563.3
Total	823.9	619.8

The Group manages its exposure to interest rates through a mix of variable and fixed rate borrowing and approved hedging arrangements, including interest rate swaps. The Group treasury strategy, which is approved annually by the

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

Group Board, determines the upper and lower limits of fixed and variable borrowings within the total portfolio. The Group's average cost of capital during the year was 6.13% (2007: 6.4%).

The Group had sufficient committed facilities available to meet all its requirements throughout the year – and has sufficient committed facility headroom available on a forward looking basis until 31 March 09.

Cashflow:

The Group cashflow statement is shown in page 22. The net cash inflow flow from operating activities had increased by £13.9M.

Future Development:

Hyde is confirmed as a preferred developer Housing Association by the Housing Corporation. In the last round of bids the Housing Corporation confirmed £47m development grant to develop 1,063 homes through 2008/11 with an expectation to allocate further through the Regular Market Engagement process.

OPERATIONAL AND FINANCIAL REVIEW

Table 1

Group Highlights: Five Year Summary:

Group Income and Expenditure	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m
Total turnover	165.8	161.9	120.5	110.0	101.6
Income from lettings	121.8	107.3	100.5	88.1	81.5
Operating Surplus	30.5	29.8	25.0	27.2	26.6
Surplus on sale of housing properties	17.3	15.0	12.4	10.0	10.2
Surplus for the year transferred to reserves	18.0	13.0	10.6	13.5	16.1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m
Group Balance Sheet					
Housing Properties net of depreciation SHG and other capital grants	2,015.8 (940.3)	1,591.9 (851.0)	1,447.4 (803.5)	1,288.6 (787.5)	1,190.2 (728.5)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Housing properties net of depreciation and grants	1,075.5	740.9	643.9	501.1	461.7
Other fixed assets	17.6	14.9	12.3	10.5	10.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fixed assets net of depreciation and grants	1,093.1	755.8	656.2	511.6	472.3
Net current assets	22.2	37.9	85.8	82.5	12.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets less current liabilities	1,115.3	793.7	742.1	594.1	485.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loans due over one year	793.4	583.8	527.5	416.9	379.3
Provisions for liabilities and charges	9.9	35.7	67.3	75.2	0.0
Other long term liabilities	18.0	12.8	3.3	5.0	14.5
Reserves	294.1	161.4	144.0	97.0	91.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital and reserves	1,115.3	793.7	742.1	594.1	485.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Hyde Housing Association Limited

OPERATIONAL AND FINANCIAL REVIEW

Group Accommodation figures	2008	2007	2006	2005	2004
Total housing stock owned (average number of dwellings)	36,880	28,867	24,720	24,113	22,530
Statistics	2008	2007	2006	2005	2004
Operating margin	18.4%	18.4%	21.1%	24.6%	26.2%
Surplus for the year as a % of turnover	10.8%	8.0%	10.3%	12.9%	15.9%
Surplus for the year as a % of income from lettings	14.8%	12.1%	12.3%	16.1%	19.8%
Rent losses (voids and bad debts as a % of rent and service charges receivable)	3.2%	3.1%	3.8%	4.2%	3.5%
Rent arrears (gross arrears as a % of rent and service charges receivable)	6.7%	6.9%	7.7%	9.0%	8.6%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	1.6	1.4	1.5	1.5	1.7
Liquidity (current assets divided by current liabilities)	1.2	0.9	1.6	1.5	1.2
Gearing (total loans as a % of capital grants plus reserves)	66.7%	61.2%	55.0%	46.0%	46.5%
Total reserves per home owned	<u>£7,974</u>	<u>£6,272</u>	<u>£5,907</u>	<u>£4,374</u>	<u>£4,047</u>

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Industrial and Provident Societies Acts 1965 to 2002 and Registered Social Landlord (RSL) regulations 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 Association and the Group and of their surplus or deficit for that period. In preparing those financial statements, the Board is required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.
- ensure that so far as each Board member is aware, there is no relevant audit information of which the company's auditors are unaware
- ensure that each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board is responsible for instituting adequate systems of internal control and safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hyde Housing Association Limited

CORPORATE GOVERNANCE

The governance of the Association and its subsidiaries is carried out as set out in the Governance Manual and is summarised in the following paragraphs.

THE BOARD

The Board is the ultimate governing body of the Association and the Hyde Group. It comprises 10 non-executive directors and two executive directors and meets ten times per year. Members now receive remuneration to compensate them for the time and effort they put in and to attract the required skills the Group requires. As with all boards, members are drawn from a wide range of backgrounds so that there is an optimum mix of skills and expertise to fulfil the function of the board.

DELEGATION

The Board delegates some of its responsibilities to functional committees. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are fully considered and approved where appropriate. Each of these committees is chaired by a member of the Board.

FUNCTIONAL COMMITTEES

The functional committees act as committees of all members of the Group and take an overview of the Group's affairs within their remit and ensure the aims of the Group as a whole are being achieved. The Operations Committee oversees the delivery of the Group's Customer Services and Asset Management Strategies and ensures that services provided to residents are continuously improved and offer Value for Money. The Remuneration and Appointments Committee is responsible for setting the remuneration of Board members and of the Executive management team. In addition the Committee oversees the process for board member appraisal and reviews the process for board member appointment.

The Group Finance and Organisational Committee and the Group Business Development Committee were both in existence during the year and were disestablished on 31 March 2008. The Finance and Organisational Committee dealt with financial, personnel and IT matters and the Business Development Committee oversaw the development of new business growth, the development programme and major regeneration initiatives. The duties of both Committees have been reassumed by the Board.

AUDIT COMMITTEE

The Audit Committee's role is to oversee the work of both the internal and external audit function and to oversee the risk management framework and internal control framework for The Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. It is also responsible for recommending to the Group and subsidiary Boards the appointment of external and internal auditors and investigate any activity it thinks fit, or as may be referred to it. It submits an annual report to the Board. Through the reports it receives the Audit Committee ensures the Group has systems in place to allow the Board to review the effectiveness of the systems of internal control and to comply with the Housing Corporation's expectations in this area.

EXECUTIVE MANAGEMENT OFFICERS

The executive officers of the Association are listed on page 1. They are not members of the Association and hold no interest in the share capital. They act as executives within the authority delegated to them by the Board and functional committees.

Hyde Housing Association Limited

STATEMENT ON INTERNAL CONTROL

The Board is ultimately responsible for ensuring the Association establishes and maintains a system of internal control appropriate to the various business environments in which it operates. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objects and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements in exercising control include:

1. Corporate governance arrangements as outlined in the Board report above.
2. Written policies and procedures including standing orders setting out delegated authorities.
3. The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system and the achievement of Investors in People accreditation.
4. The preparation of forecasts and budgets which allow the committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
5. All investment projects being subject to formal authorisation procedures. Significant initiatives are also reviewed at committee level.
6. The review by the Audit Committee of reports from management, the internal auditors and external auditors including reports on follow-up action to correct weaknesses identified. The Audit Committee makes regular reports to the Board.
7. The Group has an established process for identifying, evaluating and managing the significant risks facing it. The Board regularly reviews the Group's Risks Map. The process is continuous and has been in place for the year up to the date of approval of the annual report and accounts.

The Board confirms that it has a strategy and policy on fraud and the Anti Fraud and Corruption Policy was reviewed and re-issued in the year.

Housing Corporation Circular 07/07 Internal Controls Assurance (issued July 2007)

The Board recognises that the revised requirements of the Housing Corporation's Circular – 07/07, Internal Controls Assurance must be fully complied with for the Group's audited financial statements for year ending 31 March 2008. In particular it has been noted that the Board is required to report on the Group's whole system of internal controls and not just financial controls.

The system of internal controls is ongoing, has been in place for the year to 31 March 2008 and up to the date of approval of the annual report and accounts.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness.

The Group produces an annual review of internal controls. This provides assurances in the categories suggested in the circular including external audit, internal control, and internal audit, whistle blowing, risk management and performance monitoring.

The Board reviews annually the effectiveness of the system of internal controls in existence in the Association. This review includes a review of the fraud register. The board confirms that all necessary actions are taken to remedy any significant failings or weaknesses which may have been identified during the review.

The board confirms no weaknesses were found in the internal controls for the year ended 31 March 2008 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the report of the auditor.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2008

We have audited the group and parent company financial statements (the financial statements) of Hyde Housing Association Ltd for the year ended 31 March 2008 which comprise the Group and Association Income and Expenditure Accounts, the Group and Association Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Surpluses and Deficits and the related notes. The maintenance and integrity of the Hyde Housing Association website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the board and auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Association as a body in accordance with Section 9 (1) of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

In addition we report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Operating and Financial Review and the statement of internal control. We review whether the statement of internal control has been prepared in accordance with Housing Corporation Circular '07/07 Internal controls assurance'. We are not required to consider whether the Board's statement on internal control fairly presents the Association's system of internal control, or to form an opinion on the effectiveness of the Association's system of internal control. 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 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.

Hyde Housing Association Limited

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 2008 and of the group's and Association's surplus and group's cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and The Accounting Requirements for Registered Social Landlords General Determination 2006.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

3 July 2008

Hyde Housing Association Limited

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 March 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2	165,811	161,943
Operating costs	2	(135,358)	(132,114)
Operating surplus	2/3	30,453	29,829
Surplus on sale of housing properties	4	17,304	15,009
Interest receivable and similar income	6	1,366	1,926
Interest payable and similar charges	7	(30,915)	(32,464)
Other Finance Costs – FRS17		(250)	(428)
Surplus for the year before taxation		17,958	13,872
Taxation	8	(300)	(88)
Surplus for the year after taxation		17,658	13,784
Transfers to reserves	23	(616)	(740)
Retained surplus for the year		17,042	13,044
Revenue reserve brought forward		121,096	108,052
Revenue reserve carried forward	23	138,138	121,096

The turnover and surplus for the current and prior year relate to continuing activities.

There are no material differences between the surplus on ordinary activities before taxation and the retained surplus for the year and their historical cost equivalents.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS Year ended 31 March 2008

	2008 £'000	2007 £'000
Surplus for the year after taxation	17,658	13,784
FRS 17 Pension Surplus/(Deficit)	8,293	4,028
Unrealised gain on investments	(164)	78
Total recognised surpluses and deficits since last annual report	25,787	17,890

Hyde Housing Association Limited

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2	109,366	110,332
Operating costs	2	(88,420)	(88,935)
Operating surplus	2/3	20,946	21,397
Surplus on sale of housing properties	4	15,485	11,240
Gift Aid	5	2,711	1,800
Interest receivable and similar income	6	1,594	1,579
Interest payable and similar charges	7	(25,626)	(27,524)
Other Finance Costs – FRS17		(388)	(428)
Surplus for the year		14,722	8,064
Transfer to designated reserve	23	(362)	(637)
Transfer of Engagements	33	2,662	-
Retained surplus for the year		17,022	7,427
Revenue reserve brought forward		79,257	71,830
Revenue reserve carried forward	23	96,279	79,257

The turnover and surplus for the current and previous year relate to continuing activities.

There is no difference between the surplus on ordinary activities and the retained surplus for the year and their respective historical cost equivalents.

ASSOCIATION STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Surplus for the year		14,722	8,064
FRS 17 Pension Surplus/ (Deficit)		6,549	4,028
Total recognised surpluses and deficits for the year		21,271	12,092

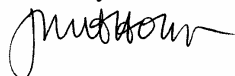
Hyde Housing Association Limited

CONSOLIDATED BALANCE SHEET 31 March 2008

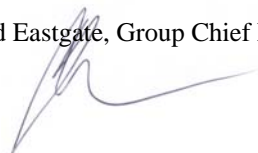
	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
FIXED ASSETS					
Housing properties at cost	9	2,041,211		1,611,309	
Social housing and other capital grants	9	(940,256)		(851,048)	
Depreciation	9	(25,365)		(19,405)	
			1,075,590		740,856
Home buy loan		180		180	
Home buy grant		(180)		(180)	
Other fixed assets	10		14,416		12,445
Investments	11		3,151		2,487
			1,093,157		755,788
CURRENT ASSETS					
Stock	12	42,307		18,464	
Debtors due after more than one year	13	9,296		43,848	
Debtors due within one year	14	41,460		37,723	
Current asset investments		-		1,480	
Cash at bank and in hand	15	16,283		27,289	
		109,346		128,804	
CREDITORS: amounts falling due within one year	16	(92,943)		(90,829)	
NET CURRENT ASSETS			16,403		37,975
Total Assets less current liabilities excluding pension Assets			1,109,560		793,763
Pension Assets	21		5,772		-
TOTAL ASSETS less Current liabilities			1,115,332		793,763
CREDITORS: amounts falling due after more than one year					
Loans and other creditors	17	804,971		593,878	
Capital grant recycling fund	18	4,131		2,231	
Disposal proceeds fund	19	2,305		529	
			811,407		596,638
PROVISIONS FOR LIABILITIES & CHARGES	20		9,857		35,689
CAPITAL AND RESERVES					
Called up share capital	22	-		-	
Restricted reserve	23	3,130		353	
Designated reserve	23	4,071		4,375	
Revaluation reserve	23	135		1,043	
Negative goodwill	24	150,114		43,178	
Pension deficits	23	(1,520)		(8,609)	
Revenue reserve	23	138,138		121,096	
TOTAL CAPITAL AND RESERVES			294,068		161,436
			1,115,332		793,763

These financial statements were approved by the Board on 3 July 2008. The notes on pages 24 to 59 form part of the financial statements.

Julie Hollyman, Chair



David Eastgate, Group Chief Executive



John Edwards, Secretary



Hyde Housing Association Limited

ASSOCIATION BALANCE SHEET 31 March 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
FIXED ASSETS					
Housing properties at cost	9	1,644,358		1,389,169	
Social housing and other capital grants	9	(912,680)		(785,416)	
Depreciation	9	(22,165)		(16,075)	
			709,513		587,678
Home buy loan		180		180	
Home buy grant		(180)		(180)	-
Other fixed assets	10		8,608		10,601
Investments	11		842		-
			718,963		598,279
CURRENT ASSETS					
Stock	12	26,827		11,820	
Debtors due after more than one year	13	14,096		46,976	
Debtors due within one year	14	72,265		38,692	
Cash at bank and in hand	15	8,289		16,137	
		121,477		113,625	
CREDITORS: amounts falling due within one year	16	(85,205)		(84,059)	
NET CURRENT ASSETS			36,272		29,566
Total Assets less current liabilities excluding pension Assets			755,235		627,845
Pension Assets	21		5,181		-
TOTAL ASSETS less Current liabilities			760,416		627,845
CREDITORS: amounts falling due after more than one year					
Loans and other creditors	17	641,027		518,459	
Capital grant recycling fund	18	3,977		1,991	
Disposal proceeds fund	19	2,040		422	
			647,044		520,872
PROVISIONS FOR LIABILITIES & CHARGES	20		9,484		32,528
CAPITAL AND RESERVES					
Called up share capital	22	-		-	
Designated reserve	23	4,159		3,797	
Restricted reserve	23	1,722		-	
Negative goodwill	24	3,788		-	
Pension deficit	23	(2,060)		(8,609)	
Revenue reserve	23	96,279		79,257	
TOTAL CAPITAL AND RESERVES			103,888		74,445
			760,416		627,845

These financial statements were approved by the Board on 3 July 2008. The notes on pages 24 to 59 form part of the financial statements.

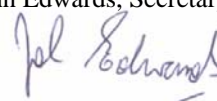
Julie Hollyman, Chair



David Eastgate, Group Chief Executive



John Edwards, Secretary



Hyde Housing Association Limited

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow/(Outflow) from operating activities	25		74,604		60,753
Returns on investments and servicing of finance					
Interest received		1,366		1,926	
Interest paid		(30,916)		(32,464)	
			(29,550)		(30,538)
Capital expenditure and financial investment					
Payments to acquire and develop housing properties		(275,798)		(177,723)	
Social Housing Grant received		85,598		60,194	
Acquisition of other fixed assets		(4,956)		(7,190)	
Additional special pension scheme contribution		(4,800)		(4,800)	
Refurbishment of acquired estates		(21,037)		(24,839)	
Receipts from sale of housing properties		70,480		40,806	
			(150,513)		(113,552)
Net cash (outflow) before use of liquid resources and financing			(105,459)		(83,337)
Management of liquid resources					
Money market account			1,480		367
Financing					
Housing loans received		189,089		117,875	
Housing loans repaid		(96,116)		(18,300)	
Net cash inflow from financing			92,973		99,575
Increase/(Decrease) in cash in the year	25		(11,006)		16,605

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords' updated in 2005 (SORP) and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Industrial and Provident Societies (Group Accounts) Regulations 1969. The following accounting policies have been applied consistently in dealing with items, which are considered to be material in relation to the accounts of Hyde Housing Association (the Association) and Hyde Housing Group (the Group).

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of certain fixed asset investments.

Basis of consolidation

The Group is required by the Industrial and Provident Societies (Group Accounts) Regulations 1969 to prepare group accounts. The group accounts comprise those of the Association together with its subsidiaries and are consolidated using acquisition accounting. This is in accordance with the requirements of Financial Reporting Standard 2 "Accounting for subsidiary undertakings".

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to reserves. This is in accordance with the SORP but not in accordance with FRS 10 which requires that negative goodwill is shown as a negative asset on the balance sheet. The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Group's net assets because the substance of the transaction is a transfer of a business by the subsidiary for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 10 then the Group's net assets would have been reduced by £150.1m (2007: £43.1m). Negative goodwill is amortised over the same period for which depreciation is charged on the housing properties acquired (over 100 years).

Turnover

Turnover comprises rents and service charges, income from property sales, fees, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue based grants receivable from local authorities and the Housing Corporation. All income is recognised on a receivable basis and sales of property are recognised at completion.

Housing properties

The cost of housing properties comprises their purchase price, together with directly attributable costs in bringing them into working condition for their intended use. The directly attributable costs are the labour costs of own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if individual properties had not been constructed or acquired. Interest is capitalised on a fair proportion of the borrowings of the Association as a whole, calculated on the costs incurred during the period of development, less Social Housing Grant (SHG) received. Improvements are capitalised only when they result in an increase in the net rental income, such as a direct increase in rental income, a reduction in future maintenance costs, or in a significant extension of the useful economic life of the property in the business.

Shared ownership schemes are included in fixed assets, net of SHG, at the lower of cost and net realisable value. The proceeds from the initial sales are taken to reduce the cost of the asset. Lessees have the right to acquire further tranches and any surplus or deficit on such subsequent tranches is recognised in the Income and Expenditure account. Provision is made for all irrecoverable deficits after taking into account any abatement of SHG.

Pre-contract costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance Initiative are recognised as expenses incurred up to the date of announcement of preferred bidder. Where the Group is successful in attaining preferred bidder status, those costs that are incurred after attaining preferred bidder status and are directly attributable to the contract are recognised as an asset and amortised over the life of the contract.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Supported housing

Social housing capital grants are claimed by the Group as developer and owner of the property and included in the balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk. Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the Group's income and expenditure account. Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group.

Current assets investments

Investments are valued at market value. The difference between market value and historic cost is taken to the Statement of Total Recognised Surpluses and Deficits where market value exceeds cost and carried forward in the Investment Revaluation Reserve.

Investments held by subsidiaries

Investments owned by Hyde Charitable Trust are stated at market value.

Deferred expenditure

Expenditure on short life accommodation is treated as deferred expenditure. The proportion which is not financed by SHG is amortised over the anticipated term of the tenancy. Certain schemes receive additional grant to fund projected rent shortfalls against expenditure. Such grant is treated as deferred income held in creditors and released over the life of the lease.

Depreciation

Depreciation of freehold housing properties is charged so as to write down their cost (net of Social Housing Grant) to their residual value on a straight line basis over their expected useful economic lives for the business on the following basis:

Housing properties held for letting, completed shared ownership properties and freehold shops and offices Over the life of the property, 100 years on a straight line basis

Improvement expenditure on housing property. Over the life of the improvement, 25 years on a straight line basis

Properties held on long leases are depreciated over their estimated useful economic lives or the life of the lease if shorter.

Other fixed assets are depreciated on the following basis:

Leasehold premises Over the life of the lease on a straight line basis

Furniture and equipment 15% on reducing balance

Computer hardware 2 years on a straight line basis

Motor vehicles 25% on reducing balance

Freehold land is not depreciated.

Improvements to property

The Association capitalises only that element of improvement expenditure on housing property which adds to the value of the property or extends its useful life. All other improvement expenditure is charged to the Income and Expenditure account when incurred.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Capitalised interest

Interest during the development period is capitalised into the cost of completed housing properties based on the Association's net investment and its average borrowing costs during the year.

Impairment

The Group's housing properties are depreciated over 100 years and are therefore subject to an annual impairment review. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus unless it is a reversal of a past revaluation surplus in which case it is taken to the statement of total recognised gains and losses.

Social Housing Grant (SHG) and other capital grants

Where developments are financed wholly or partly by SHG, the cost of those developments is reduced by the amount of the grant receivable.

Where SHG is received on elements of repair expenditure that are charged in the Income and Expenditure account, it is treated as a revenue grant and credited to turnover.

At the balance sheet date if the SHG receivable on any development project is greater than gross cost, the difference is included in creditors falling due within one year and shown as SHG in advance.

SHG may be repayable in certain circumstances, such as where the development of a property is not completed.

Certain developments are funded by other capital grants. These grants are dealt with in a similar manner to SHG.

Other grants

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

Stock

Properties developed for resale are valued at the lower of cost and net realisable value and included in current assets.

Discounted bonds

Discounted bonds are shown at their redemption value plus or minus the issue premium or discount, which is written off through the Income and Expenditure account on an annuity basis over the life of the bond.

Deferred interest loans

Interest on deferred interest loans is charged to the Income and Expenditure account at a constant rate on the carrying amount of the loan over its life.

The Association has specific loans which finance assets leased to local authorities, where either the lease guarantees rental increases which match the increase in the loan repayments or, where increases are not guaranteed, any shortfall is met under the terms of a surplus/deficit agreement. In these cases, the amount due from the local authority in future years is credited to the Income and Expenditure account, and carried as a long term debtor in the balance sheet.

Treasury Management

The Group's and Association's funding, liquidity and exposure to interest rate risks are managed by the Group Board. Treasury operations are conducted within a framework of policies and guidelines authorised by the Finance and Organisation Committee. To manage interest rate risk the Group manages its proportion of fixed to variable rate borrowings within approved limits and where appropriate utilises interest swap agreements. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest expense over the period of the agreement.

Group policy is to have a loan portfolio that is complementary to each Group member's overall objectives. This is achieved by creating a balance between fixed, variable and index linked borrowing. The current percentages of borrowings at fixed rates for each Group member vary between 0% and 68% of total borrowings.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Pension costs

The cost of providing pensions for employees within the Hyde Housing Association Limited defined benefit scheme, the London Borough of Lambeth Pension Fund Scheme and SHPS is funded in accordance with the statutory requirements governing the schemes. Accounting for Hyde Group employees' pensions is in accordance with generally accepted practice, as defined by Financial Reporting Standard 17 (FRS17) and the interpretations set out within the Code of Practice.

- In accordance with the requirements of FRS17 retirement benefits are accounted for when committed, regardless of when the benefits are received. The financial statements reflect, at fair value, the assets and liabilities arising from the Association's retirement obligations.
- The operating costs of providing retirement benefits to employees is recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the schemes are measured, at their fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

Current service costs are included within the Consolidated Income and Expenditure Account, within the Operating costs.

Actuarial gains and losses arising from any new valuation, and from updating the latest actuarial valuation to reflect conditions at the balance sheet date, are recognised in the Statement of Total Recognised Surpluses and Deficits for the year.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Association becomes demonstrably committed to the transaction and recognised in the operating costs at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the operating costs at that date.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Restricted reserves

In accordance with the Rent Surplus Fund Determination 1998 issued by the Housing Corporation, the surpluses arising from increased rental income during the accounting period are now defined as restricted reserves. All other reserves accruing are available for use within the rules of the Association and are considered as general reserves, unless allocated to a designated reserve.

Designated reserves

These have been set up to recognise future needs to meet the Decent Homes Standard, and to fund the increased Insurance commitments of the Group.

Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on the surplus arising from charitable activities. Provision is made for the tax liabilities which may arise when property is developed for commercial outright sale.

Agency managed hostels

In addition to the directly managed hostels, the Association owns properties in respect of some hostels which are run by outside agencies. The Association receives grants and Special Needs Management Allowance on behalf of some of the agencies. Where the Association carries the financial risk, all the hostel's income and expenditure is included in the Income and Expenditure account. Where the agencies carry the financial risk, the Income and Expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of hostels in this category is excluded from the Income and Expenditure account.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Service Charges

The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgets which are approved by the residents. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Until these surpluses are returned they are held on the balance sheet as a creditor due within one year and a deficit is held as a debtor due within one year.

Where expenditures in excess of statutory limits are required to replace or maintain major items a formal consultation with residents is undertaken and a provision is built up over a number of years to cover these items. Until these costs are incurred the provision is held on the balance sheet within Provisions for liabilities and charges to reflect the obligation to replace items as set out in lease and tenancy agreements and statutory law.

Stock Transfers

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from residents and tenants, the Group may seek to maximise the resources available for regeneration schemes by entering into a VAT shelter arrangement. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation to the local authorities is shown as long term debtors, and the obligation to contractors under the refurbishment contract is shown as provisions for liabilities and charges.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS Year ended 31 March 2008

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

GROUP	Turnover 2008 £'000	Operating costs 2008 £'000	Operating surplus 2008 £'000	Operating surplus 2007 £'000
Social housing lettings (see note 2b):	121,763	(94,078)	27,685	26,068
Other social housing activities:				
Management contracts	5,699	(2,819)	2,880	2,733
Supporting People	17,414	(17,604)	(190)	(275)
Care and repair	-	-	-	-
Housing plus	974	(1,561)	(587)	(704)
Development	-	3,100	3,100	2,043
Other	3,285	(8,919)	(5,634)	(3,384)
Outright sale	13,341	(10,869)	2,472	3,012
OPS care	614	(503)	111	(24)
Agency	2,617	(2,086)	531	360
Commercial	104	(19)	85	-
	<u>165,811</u>	<u>(135,358)</u>	<u>30,453</u>	<u>29,829</u>
ASSOCIATION				
Social housing lettings (see note 2b):	93,596	(70,807)	22,789	20,910
Other social housing activities:				
Management contracts	5,680	(2,817)	2,863	2,733
Supporting People	3,455	(3,812)	(357)	(330)
Care and repair	-	-	-	-
Housing plus	824	(1,441)	(617)	(704)
Development	-	2,825	2,825	2,043
Other	2,370	(9,661)	(7,291)	(3,636)
Outright sale	106	(99)	7	64
OPS Care	614	(503)	111	(24)
Agency	2,617	(2,086)	531	341
Commercial	104	(19)	85	-
	<u>109,366</u>	<u>(88,420)</u>	<u>20,946</u>	<u>21,397</u>

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

GROUP	General needs £'000	Supported housing £'000	Shared ownership £'000	Leasing and management services £'000	Health and education accommodation £'000	Total 2008 £'000	Total 2007 £'000
Rent receivable net of service charges	87,853	4,175	4,587	7,720	4,507	108,842	96,504
Service charges receivable	6,663	1,547	2,187	38	1,295	11,730	9,589
Gross rental income	94,516	5,722	6,774	7,758	5,802	120,572	106,093
Less: rent losses from voids	(794)	(298)	(8)	(560)	(508)	(2,168)	(1,707)
Net rental income	93,722	5,424	6,766	7,198	5,294	118,404	104,386
Revenue grants from local authorities and other bodies	1,007	180	-	2,172	-	3,359	2,918
Turnover from social housing lettings	94,729	5,604	6,766	9,370	5,294	121,763	107,304
Services	(8,253)	(1,420)	(1,897)	(58)	(985)	(12,613)	(10,145)
Management	(22,040)	(2,065)	(1,708)	(2,039)	(1,107)	(28,959)	(23,734)
Routine maintenance	(18,108)	(1,180)	(100)	(1,342)	(709)	(21,439)	(20,276)
Rent losses from bad debts	(1,756)	(136)	(141)	(292)	62	(2,263)	(2,026)
Major repairs expenditure	(6,817)	(339)	(8)	(24)	-	(7,188)	(6,804)
Property Lease Charges	(46)	(126)	(11)	(5,953)	(626)	(6,762)	(8,113)
Depreciation – housing properties	(5,375)	(390)	(513)	-	(267)	(6,545)	(4,285)
Other costs (including I.C.T)	(6,754)	(252)	(410)	(558)	(335)	(8,309)	(5,853)
Operating costs on social housing lettings	(69,149)	(5,908)	(4,788)	(10,266)	(3,967)	(94,078)	(81,236)
Operating surplus on social housing lettings	25,580	(303)	1,978	(896)	1,327	27,686	26,068

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS Year ended 31 March 2008

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

ASSOCIATION	General needs £'000	Supported housing £'000	Shared ownership £'000	Leasing and management services £'000	Health and education accommodation £'000	Total 2008 £'000	Total 2007 £'000
Rent receivable net of service charges	65,165	3,029	4,537	7,720	4,507	84,958	74,339
Service charges receivable	3,917	1,081	2,033	38	1,295	8,364	6,286
Gross rental income	69,082	4,110	6,570	7,758	5,802	93,322	80,625
Less: rent losses from voids	(577)	(271)	(8)	(560)	(508)	(1,924)	(1,447)
Net rental income	68,505	3,839	6,562	7,198	5,294	91,398	79,178
Revenue grants from local authorities and other bodies	26	-	-	2,172	-	2,198	1,889
Turnover from social housing lettings	68,531	3,839	6,562	9,370	5,294	93,596	81,067
Services	(3,330)	(786)	(1,895)	(58)	(985)	(7,054)	(5,515)
Management	(15,538)	(1,837)	(1,752)	(2,039)	(1,107)	(22,273)	(18,733)
Routine maintenance	(11,997)	(915)	(91)	(1,342)	(709)	(15,054)	(13,704)
Rent losses from bad debts	(1,465)	(131)	(129)	(292)	62	(1,955)	(1,851)
Major repairs expenditure	(6,246)	(260)	-	(24)	-	(6,530)	(5,478)
Property Lease Charges	(46)	(126)	(11)	(5,953)	(626)	(6,762)	(6,309)
Depreciation – housing properties	(4,249)	(341)	(518)	-	(267)	(5,375)	(3,610)
Other costs (including I.C.T)	(4,249)	(252)	(410)	(558)	(335)	(5,804)	(4,957)
Operating costs on social housing lettings	(47,120)	(4,648)	(4,806)	(10,266)	(3,967)	(70,807)	(60,157)
Operating surplus on social housing lettings	21,411	(809)	1,756	(896)	1,327	22,789	20,910

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

GROUP	General needs	Supported housing	Shared ownership	Leasing and management services	Health and education accommodation	Leaseholders	Contract Management	Total
Housing accommodation:								
Average units in ownership 2008	24,919	4,148	2,563	1,328	1,152	2,770	-	36,880
Average units in management 2008	-	-	-	-	-	-	6,645	6,645
Total units 2007	24,919	4,148	2,563	1,328	1,152	2,770	6,645	43,525
Average units in ownership 2007	17,879	3,771	3,847	1,427	1,095	847	-	28,866
Average units in management 2007	-	-	-	-	-	-	6,608	6,608
Total units 2007	17,879	3,771	3,847	1,427	1,095	847	6,608	35,474
ASSOCIATION								
Housing accommodation:								
Average units in ownership 2008	14,672	3,056	2,386	957	1,137	1,415	-	23,623
Average units in management 2008	-	-	-	-	-	-	6,427	6,427
Total units 2008	14,672	3,056	2,386	957	1,137	1,415	6,427	30,050
Average units in ownership 2007	13,720	764	2,857	947	1,082	-	-	19,370
Average units in management 2007	-	-	-	-	-	-	2,340	2,340
Total units 2007	13,720	764	2,857	947	1,082	-	2,340	21,710

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

3. OPERATING SURPLUS

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating surplus is stated after charging/(crediting):				
Depreciation				
Owned assets	4,173	2,914	4,000	2,751
Housing properties	6,566	4,122	5,378	3,462
Amortisation of negative goodwill	(1,515)	(443)	(41)	-
Hire of other assets:				
Operating leases	911	1,064	911	1,064
Auditors' remuneration (including VAT and expenses) :				
As auditors	108	102	60	65
Other services	105	297	105	297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. SURPLUS ON SALE OF HOUSING PROPERTIES

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Shared ownership	4,117	3,128	4,076	3,128
Right to buy sales	239	807	239	395
Other disposals of housing properties	12,948	11,074	11,170	7,717
	<u>17,304</u>	<u>15,009</u>	<u>15,485</u>	<u>11,240</u>

5. GIFT AID

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Gift Aid	-	-	2,711	1,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The amount included represents profits, gift aided to the Association, from Hyde Vale Limited which is developing property for outright sale on a commercial basis and from Martlet Homes Limited, which joined the Group on 14 December 2007.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Interest receivable from other sources	1,366	1,926	1,064	1,579
Interest received from Group undertakings	-	-	530	-
	<u>1,366</u>	<u>1,926</u>	<u>1,594</u>	<u>1,579</u>

The interest received by the Association includes £530,000 due from Hyde Vale Limited

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
On bank loans and overdrafts	26,014	19,428	21,048	14,515
On other loans	16,303	17,255	15,612	17,184
	<u>42,317</u>	<u>36,683</u>	<u>36,660</u>	<u>31,699</u>
Less interest capitalised	(11,402)	(4,219)	(11,034)	(4,175)
	<u><u>30,915</u></u>	<u><u>32,464</u></u>	<u><u>25,626</u></u>	<u><u>27,524</u></u>

8. TAX ON SURPLUS ON ORDINARY ACTIVITIES – GROUP AND ASSOCIATION

Hyde Housing Association and its subsidiaries, except for Hyde Vale and Martlet Homes Limited, are exempt from Corporation Tax on the charitable activities they perform. The group also includes Hyde Vale Ltd which is developing property for outright sale on a commercial basis. Provision for Corporation tax liabilities are made in Hyde Vale and Martlet Homes Limited, to the extent that these liabilities are not mitigated by the Gift Aid of profits back to Hyde Housing Association to fund additional social housing units.

Hyde Housing Association transferred assets of £4,991,411 (2007: £13,510,145) to Hyde Vale on an arms length basis and recognised a gain of £108,275 (2007: £63,516). Hyde Vale is developing these assets for outright sale on a commercial basis. Hyde Vale transferred assets of £1,192,000 (2007: Nil) to Hyde Housing Association on an arms length basis at a loss of £240,530 (2007: Nil).

A credit of £46,000 has been included in the financial statements of Hyde Vale due to an over statement of tax liability in 2007. A deferred tax liability of £346,000 has been provided for in Martlet Homes Limited calculated using a tax rate of 28% (2007 – 30%).

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

GROUP	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 31 March 2007	1,312,164	121,198	110,506	67,442	1,611,310
Additions	33,207	158,236	3,816	72,995	268,254
Acquisitions	195,301	20,648	1,981	-	217,930
Disposals	(26,317)	-	(29,605)	-	(55,922)
Transfer	1,607	(3,275)	1,307	-	(361)
Completed	82,923	(82,923)	61,265	(61,265)	-
At 31 March 2008	1,598,885	213,884	149,270	79,172	2,041,211
Social Housing Grant (SHG)					
At 31 March 2007	737,531	29,725	55,505	28,287	851,048
Received	11,237	66,988	700	15,508	94,433
Disposals	(2,560)	-	(1,914)	-	(4,474)
Transfer	(942)	-	191	-	(751)
Completed	44,713	(44,713)	15,813	(15,813)	-
At 31 March 2008	789,979	52,000	70,295	27,982	940,256
Depreciation					
At 31 March 2007	18,381	-	1,024	-	19,405
Release of impairment	74	-	35	-	109
Acquisitions	521	-	-	-	521
Charge for year	5,977	-	589	-	6,566
Disposals	(1,054)	-	(182)	-	(1,236)
At 31 March 2008	23,899	-	1,466	-	25,365
Net book value					
At 31 March 2008	785,007	161,884	77,509	51,190	1,075,590
At 31 March 2007	556,251	91,472	53,977	39,155	740,856

Interest of £11,402,000 (2007: £4,219,000) was capitalised during the year at an average rate of 6.13% pa (2007: 6.38% pa).

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

ASSOCIATION	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 31 March 2007	1,090,027	121,194	110,506	67,442	1,389,169
Transfer	-	-	-	-	-
Transfer of Engagements	77,572	-	-	-	77,572
Additions	-	158,310	-	72,995	231,305
Disposals	(25,484)	-	(28,204)	-	(53,688)
Completed	82,923	(82,923)	61,265	(61,265)	-
At 31 March 2008	1,225,038	196,581	143,567	79,172	1,644,358
Social Housing Grant (SHG)					
At 1 April 2007	671,989	29,725	55,415	28,287	785,416
Transfer	-	-	-	-	-
Transfer of Engagements	48,348	-	-	-	48,348
Received	-	67,710	-	15,508	83,218
Disposals	(2,388)	-	(1,914)	-	(4,302)
Completed	44,713	(44,713)	15,813	(15,813)	-
At 31 March 2008	762,662	52,722	69,314	27,982	912,680
Depreciation					
At 31 March 2007	15,051	-	1,024	-	16,075
Transfer	(35)	-	35	-	-
Transfer of Engagements	1,941	-	-	-	1,941
Acquisitions	-	-	-	-	-
Charge for year	4,834	-	544	-	5,378
Disposals	(1,047)	-	(182)	-	(1,229)
At 31 March 2008	20,744	-	1,421	-	22,165
Net book value					
At 31 March 2008	441,632	143,859	72,832	51,190	709,513
At 31 March 2007	402,987	91,469	54,067	39,155	587,678

Interest of £11,034,000 (2007: £4,175,000) was capitalised during the year at an average rate of 6.13% pa (2007: 6.38 % pa).

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

10. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

GROUP	Freehold office and shops £'000	Furniture, equipment and vehicles £'000	Short term leasehold premises £'000	Deferred expenditure on short life accommodation £'000	Total other fixed assets £'000
Cost					
At 1 April 2007	7,917	10,197	5,426	9,040	32,580
Transfer	(1,083)	(467)	-	-	(1,550)
Adjustment	-	-	-	(3,600)	(3,600)
Additions	2,776	1,382	194	604	4,956
Acquisitions	4,914	2,462	-	-	7,376
Disposals	(2,391)	(695)	-	-	(3,086)
At 31 March 2008	12,133	12,879	5,620	6,044	36,676
Social Housing Grant (SHG)					
At 1 April 2007	-	-	-	8,249	8,249
Received	390	-	-	4,193	4,583
Adjustment	-	-	-	(4,343)	(4,343)
Transfer to rent premium grant	-	-	-	(3,772)	(3,772)
At 31 March 2008	390	-	-	4,327	4,717
Depreciation					
At 1 April 2007	515	7,513	3,150	706	11,884
Transfers	(203)	(457)	-	-	(660)
Additions	108	2,063	1,319	-	3,490
Adjustment	-	-	-	684	684
Acquisitions	213	1,992	-	62	2,267
Disposals	-	(122)	-	-	(122)
At 31 March 2008	633	10,989	4,469	1,452	17,543
Net book value					
At 31 March 2008	11,110	1,890	1,151	265	14,416
At 31 March 2007	7,402	2,681	2,277	85	12,445

No assets were held under finance leases at 31 March 2008.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

10. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

ASSOCIATION	Freehold office and shops	Furniture, equipment and vehicles	Short term leasehold premises	Deferred expenditure on short life accommodation	Total other fixed assets
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2007	6,208	8,647	5,425	9,040	29,320
Adjustment	-	-	-	(3,600)	(3,600)
Additions	1,759	1,275	194	604	3,833
Acquisitions	1,083	467	-	-	1,550
Disposals	(2,391)	(574)	-	-	(2,965)
At 31 March 2008	6,659	9,815	5,619	6,044	28,137
Social Housing Grant (SHG)					
At 1 April 2007	-	-	-	8,249	8,249
Transfers	-	-	-	(4,343)	(4,343)
Received in year	-	-	-	4,193	4,193
Transfer to rent premium grant	-	-	-	(3,772)	(3,772)
At 31 March 2008	-	-	-	4,327	4,327
Depreciation					
At 1 April 2007	280	6,334	3,150	706	10,470
Charge for year	68	1,928	1,320	-	3,316
Adjustment	-	-	-	684	684
Acquisitions	211	458	-	62	731
At 31 March 2008	559	8,720	4,470	1,452	15,201
Net book value					
At 31 March 2008	6,100	1,094	1,149	265	8,608
At 31 March 2007	5,928	2,313	2,275	85	10,601

No assets were held under finance leases at 31 March 2008.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

11. INVESTMENTS

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Original cost at 1 April 2007	1,430	1,430	-	-
Purchased in the year	-	-	-	-
Net gains brought forward	1,043	965	-	-
Unrealised gain during the year	(164)	92	-	-
Transfer	842	-	842	-
	<u>3,151</u>	<u>2,487</u>	<u>842</u>	<u>-</u>

The Transfer represents the Islington PFI investment which was shown as a current asset in prior years

At 31 March 2008, all investments were held with Charities Official Investment Fund (COIF)

The distribution of the investments was as follows:

12% of the investment was held in COIF Charities Fixed Interest Fund and 88% was held in COIF Charities Investment Fund, which is in the United Kingdom.

Investment Statement

		Original	Market	Market
	Units	cost	value	value
		2008	2008	2007
		£'000	£'000	£'000
Fixed interest	233,899	320	300	293
Investment fund	188,682	1,110	2,009	2,194
Total	<u>422,581</u>	<u>1,430</u>	<u>2,309</u>	<u>2,487</u>

12. STOCK

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Materials	51	-	-	-
Work in Progress	38,728	16,160	26,827	11,820
Property held for resale	3,528	2,304	-	-
	<u>42,307</u>	<u>18,464</u>	<u>26,827</u>	<u>11,820</u>

Stock consists of assets under construction or completed which are intended for sale. The Group amount includes schemes transferred from Hyde into Hyde Vale, a member of the Group, which is developing these assets for outright sale. The values stated in the Group accounts do not include any profit recognised by Hyde on the transfers, which occurred during the year on an arms length basis. There is no tax liability arising on the transfers as the gain will be offset by relievable losses within the Group.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

13. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Stock Transfers	9,296	43,848	-	40,976
Amounts due from group undertakings	-	-	14,096	6,000
	<u>9,296</u>	<u>43,848</u>	<u>14,096</u>	<u>46,976</u>

For 2008, the stock transfers principally represent stock improvements undertaken by Hillside. In 2007, the comparative figure represented stock improvements undertaken by Hyde, on the properties which were then owned by the Stonebridge Housing Action Trust and managed by Hillside. A transfer ballot was imminent at that time and was successful so the properties were transferred to Hillside in 2008.

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Rental debtors	11,760	9,235	9,035	6,855
Provision for doubtful debts	(6,617)	(5,022)	(4,453)	(3,630)
	<u>5,143</u>	<u>4,213</u>	<u>4,582</u>	<u>3,225</u>
Social Housing Grant receivable	24,155	287	24,155	287
Partners for Improvement in Islington Ltd	-	188	-	188
Prepayments and accrued income	1,974	11,450	1,363	11,088
Amounts due from group undertakings	-	-	34,343	2,650
Other debtors	10,188	21,585	7,822	21,254
	<u>41,460</u>	<u>37,723</u>	<u>72,265</u>	<u>38,692</u>

Partners for Improvement in Islington Ltd has been disclosed as an investment in 2008.

15. CASH AT BANK AND IN HAND

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Cash at Bank	16,059	27,065	8,065	15,913
Bonds	224	224	224	224
	<u>16,283</u>	<u>27,289</u>	<u>8,289</u>	<u>16,137</u>

The Bonds are held by Natwest and the funds can not be released until specific conditions are met

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Housing loans	30,459	36,070	30,052	35,341
Rent in advance	4,778	2,860	4,273	2,737
Amounts due to contractors	200	170	-	50
Trade creditors	8,639	5,792	8,153	5,656
Social Housing Grant in advance	1,214	9,539	1,214	9,539
Other taxes and social security costs	3,046	961	1,017	873
Amounts due to Group undertakings	-	-	5,242	-
Other creditors and accruals	44,607	35,437	35,254	29,863
	<u>92,943</u>	<u>90,829</u>	<u>85,205</u>	<u>84,059</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loans				
Guaranteed by local authority	1,126	2,340	1,126	2,340
Other	792,282	581,453	628,469	506,291
Total loans	<u>793,408</u>	<u>583,793</u>	<u>629,595</u>	<u>508,631</u>
Rent premium grant in advance	6,109	4,409	6,109	4,409
Other long term creditors	5,454	5,676	5,323	5,419
	<u>804,971</u>	<u>593,878</u>	<u>641,027</u>	<u>518,459</u>

Other long term creditors relate to funds held on behalf of third parties for the maintenance of properties in which the third parties have a long term interest.

Loans are generally secured by fixed charges on the housing properties of the Group and are at rates of interest varying from 4.53% to 11.50%.. All loans are secured by charges on specific assets.

Loan repayments are analysed as follows:

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Between one and two years	13,467	3,608	13,175	2,703
Between two and five years	9,795	16,740	8,668	11,558
In five years or more:				
repayable by instalments	738,064	539,803	586,787	473,422
repayable other than by instalments	32,082	23,642	20,965	20,948
	<u>793,408</u>	<u>583,793</u>	<u>629,595</u>	<u>508,631</u>
Less than one year	30,459	36,070	30,052	35,341
	<u>823,867</u>	<u>619,863</u>	<u>659,647</u>	<u>543,972</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont'd)

Fair value of financial liabilities

Group	Book value	Fair value	Book value	Fair value
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Total borrowings	823,867	823,867	619,863	619,863
Rent premium grant in advance	6,109	6,109	4,409	4,409
Other long term creditors	5,454	5,454	5,676	5,676
Interest rate swaps	-	22,629	-	1,089
	<u>835,430</u>	<u>858,059</u>	<u>629,948</u>	<u>631,037</u>

Association	Book value	Fair value	Book value	Fair value
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Total borrowings	659,647	659,647	543,972	543,972
Rent premium grant in advance	6,109	6,109	4,409	4,409
Other long term creditors	5,323	5,323	5,419	5,419
Interest rate swaps	-	20,809	-	1,089
	<u>671,079</u>	<u>691,888</u>	<u>553,800</u>	<u>554,889</u>

The liabilities are shown in the accounts at book value but an adjustment to fair value has been shown for disclosure purposes. The fair value of interest rate swaps have been determined by discounting their cashflows at prevailing interest rates. These contracts are over 10 to 30 years and crystallisation of them is currently remote.

18. CAPITAL GRANT RECYCLING FUND

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April 2007	1,991	3,068	1,991	3,068
Grants Recycled	4,528	2,988	4,374	2,748
Interest	265	67	265	67
Drawdown	(2,653)	(3,892)	(2,653)	(3,892)
At 31 March 2008	<u>4,131</u>	<u>2,231</u>	<u>3,977</u>	<u>1,991</u>

The Capital Grant Recycling Fund (CGRF) arises from grant recovery on all other sales of properties originally funded by SHG. Other than this it works in the same way as the Disposal Proceeds Fund (DPF).

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

19. DISPOSAL PROCEEDS FUND

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April 2007	422	179	422	179
Grants Recycled	1,887	275	1,622	168
Interest	84	10	84	10
Other	-	163	-	163
Drawdown	(88)	(98)	(88)	(98)
At 31 March 2008	<u>2,305</u>	<u>529</u>	<u>2,040</u>	<u>422</u>

DPF arises from the net proceeds of sales funded by Voluntary Purchase Grant. In accordance with Housing Corporation requirements such proceeds are credited to the fund and together with accrued interest must be used to provide replacement properties. There is a time limit of three years within which the Association must use the proceeds.

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Provisions for estate improvements arising from service charges received from tenants	9,511	8,138	9,484	7,849
Provisions for estate improvements arising from stock transfers	-	21,037	-	18,165
Pension deficit FRS 17	-	6,514	-	6,514
Deferred Tax	346	-	-	-
	<u>9,857</u>	<u>35,689</u>	<u>9,484</u>	<u>32,528</u>

There is no pension deficit in 2008. There is now a pension asset, details of which are disclosed in Note 21.

21. PENSION ASSETS

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
FRS17 Pension Asset	5,772	-	5,181	-
	<u>5,772</u>	<u>-</u>	<u>5,181</u>	<u>-</u>

In 2007, there was no pension asset due to a deficit in the schemes and a pension liability was shown within Provisions. As a result of additional contributions and investment gains, there is a pension asset instead of a liability.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

22. CALLED UP NON-EQUITY SHARE CAPITAL

Group and Association

	2008 £	2007 £
At 1 April 2007	20	60
Issued during the year	-	6
Cancelled during the year	(2)	(46)
	<u>18</u>	<u>20</u>
At 31 March 2008	<u>18</u>	<u>20</u>

23. RESERVES

GROUP

	Revenue £'000	Pension Deficit £'000	Designated £'000	Restricted £'000	Revaluation £'000	Total £'000
At 1 April 2007	121,096	(8,609)	4,375	353	1,043	118,258
FRS 17 Martlet prior years		(1,204)				(1,204)
Transfers from income and expenditure account	17,658					17,658
Transfers to reserves	(616)		761	(145)		-
Creation in Hillside CDHA- Transfer of engagements			(1,065)	1,722	(744)	(87)
FRS17 pension gains		8,293				8,293
Unrealised gains on investments					(164)	(164)
	<u>138,138</u>	<u>(1,520)</u>	<u>4,071</u>	<u>3,130</u>	<u>135</u>	<u>143,954</u>
At 31 March 2008	<u>138,138</u>	<u>(1,520)</u>	<u>4,071</u>	<u>3,130</u>	<u>135</u>	<u>143,954</u>

The movement on the FRS 17 pension deficit for the year has been disclosed in the Consolidated Statement of Total Recognised Surpluses and Deficits.

ASSOCIATION

	Revenue £'000	Restricted £'000	Pension Deficit £'000	Designated £'000	Total £'000
At 1 April 2007	79,257	-	(8,609)	3,797	74,445
Transfer of Engagements	2,662	1,722	-	-	4,384
Transfers from income and expenditure account	14,722	-	-	-	14,722
FRS 17 pension gains	-	-	6,549	-	6,549
Transfers to designated reserve	(362)	-	-	362	-
	<u>96,279</u>	<u>1,722</u>	<u>(2,060)</u>	<u>4,159</u>	<u>100,100</u>
At 31 March 2008	<u>96,279</u>	<u>1,722</u>	<u>(2,060)</u>	<u>4,159</u>	<u>100,100</u>

The actuarial gain on the FRS 17 pension deficit for the year has been disclosed in the Association Statement of Total Surpluses and deficits.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

24. NEGATIVE GOODWILL

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cost				
At 1 April 2007	44,242	44,242	-	-
Addition in the year	108,451	-	-	-
Arising on transfer of Engagements	-	-	3,829	-
	<u>152,693</u>	<u>44,242</u>	<u>3,829</u>	<u>-</u>
At 31 March 2008	152,693	44,242	3,829	-
Accumulated amortisation				
At 1 April 2007	1,064	621	-	-
Charge for the year	1,515	443	41	-
	<u>2,579</u>	<u>1,064</u>	<u>41</u>	<u>-</u>
At 31 March 2008	2,579	1,064	41	-
Net book value				
At 31 March 2008	<u>150,114</u>	<u>43,178</u>	<u>3,788</u>	<u>-</u>

The addition of goodwill during the year occurred when Martlet Homes Limited joined The Hyde Group on 14 December 2007. Its assets and liabilities are reflected in the consolidated accounts at fair values and are analysed in more detail in Note 32.

The goodwill in Hyde Housing association arose on the transfer of engagements from CDHA which occurred on the 4 September 2007, details of which are set out in note 33

25a. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2008 £'000	2007 £'000
Operating surplus	30,453	29,829
Depreciation	13,635	7,075
FRS17 – Pension Adjustment	(642)	1,538
Amortisation of negative goodwill	(1,515)	(443)
Movement on tax and other provisions	2,532	-
Decrease/(Increase) in debtors	31,423	3,723
Increase/(Decrease) in creditors	19,697	10,063
Decrease/(Increase) in stock	(20,979)	8,968
	<u>74,604</u>	<u>60,753</u>
Net cash inflow from operating activities	74,604	60,753

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

25b. ANALYSIS OF NET DEBT

GROUP	1 April 2007 £'000	Cash flow £'000	Other non cash changes £'000	31 March 2008 £'000
Net cash:				
Cash balances	27,289	(11,006)	-	16,283
Liquid resources	1,480	(1,480)	-	-
	<u>28,769</u>	<u>(12,486)</u>	<u>-</u>	<u>16,283</u>
Debt:				
Debts falling due within one year	(36,070)	36,070	(30,459)	(30,459)
Debts falling due after one year	(583,793)	(240,074)	30,459	(793,408)
Net debt	<u>(591,094)</u>	<u>(216,490)</u>	<u>-</u>	<u>(807,584)</u>

25c. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2008 £'000	2007 £'000
Increase/(Decrease) in cash in the year	(11,006)	16,605
Cash (inflow)/outflow from decrease in liquid resources	(1,480)	(367)
Cash inflow from increase in debt	(204,004)	(99,302)
Cash acquired with subsidiary	-	-
Movement in net debt in the year	<u>(216,490)</u>	<u>(83,064)</u>
Net debt at 1 April 2007	(591,094)	(508,030)
Net debt at 31 March 2008	<u>(807,584)</u>	<u>(591,094)</u>

26. CAPITAL COMMITMENTS

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Capital expenditure contracted for but not provided for in the financial statements	181,516	123,585	153,040	101,744
Capital expenditure authorised by the Board but not contracted for	33,678	115,794	28,395	95,330
	<u>215,194</u>	<u>239,379</u>	<u>181,435</u>	<u>197,074</u>

The total amount contracted for at 31 March 2008 related to schemes which have been approved through the Group's formal procedures. The Group and Association have funded their capital commitments from retained surpluses generated from social housing activities, supplemented by loans secured on the housing properties.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

27. OPERATING LEASES

Annual commitments under non-cancellable operating leases for plant and equipment are as follows:

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Other leases expiring:				
Within one year	145	208	145	208
Between two and five years	310	529	310	529
Over five years	456	328	456	328
	<u>911</u>	<u>1,065</u>	<u>911</u>	<u>1,065</u>

28. EMPLOYEE INFORMATION AND COSTS

The average number of persons employed (including Executive Directors but excluding the Board) expressed as Full Time Equivalents during the year was:

	2008	2007
Office staff	882	938
Wardens, caretakers and cleaners	221	82
	<u>1,102</u>	<u>1020</u>

	2008	2007
	£'000	£'000
Staff costs		
Wages and salaries	32,797	25,888
Social security costs	3,122	2,424
Pension costs (note 26)	2,121	3,029
	<u>38,040</u>	<u>31,341</u>

From 1 April 2007 the pension scheme changed from one based on final salary to a career average related earnings scheme with a reduced accrual rate.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME

The pensions of employees of the Hyde Group are administered through four schemes which provide defined benefits relating to pay and service.

Hyde Housing Association Limited operates a funded defined benefit scheme that closed to new members on 1 July 2004 and all new employees after that date can join a defined contribution scheme. From 1 April 2007, the Scheme introduced benefit changes for future service (for all sections apart from the Passport 2000 section). Members' benefits under the new arrangements are based on Career Average Revalued Earnings (CARE), rather than Final Pensionable Salary. Other aspects of the Plan design, such as the accrual rate, were also changed. While these changes have had no impact on benefits earned prior to 31 March 2007 it has reduced the future service costs from 1 April 2007.

On 31 March 2008 there were 257 current employees of Hyde who are members of the Hyde Housing Association Limited Career Average Revalued Earnings (CARE) section. There are also 87 current employees of Intouch Support who are also members of the CARE section of the Hyde Housing Association Scheme. The FRS 17 disclosures of pension reserves and liabilities booked into the financial statements of Hyde Housing Association Ltd relate to all 344 members of the scheme.

On 31 March 2008 4 current employees of Hyde were members of the London Borough of Lambeth Pension Fund. There were also 22 deferred pensioners and 9 active pensioners.

On 31 March 2008 6 current employees of Hyde Housing Association, 12 current employees of Intouch Support and 20 current employees of Minster General Housing Association Limited participate in the Social Housing Pension Scheme, full disclosure of this scheme is in the note below.

Since 1 July 2004 all new employees can join a defined contribution scheme. On 31 March 2008 there were 245 current employees of the Hyde Group were members of this section.

On 14 December Martlet Homes Ltd joined the Group, It has 250 employees who were eligible to join the local government pension scheme administered by West Sussex County Council. This closed to new joiners on 1 January 2008. Full FRS 17 disclosure in respect of this scheme is set out in this note.

Hyde Housing Association Limited Pension and Assurance Schemes

An actuarial valuation for the purposes of FRS 17 was carried out as at 31 March 2008 by the Scheme Actuary. The financial assumptions used by the Actuary were (in nominal terms):

	2008	2007	2006
	% pa.	% pa.	% pa.
Rate of increase in pensionable salaries	5.40	4.75	4.80
Rate of increase of pensions in payment	3.40	2.75	2.80
Discount rate	6.90	5.40	4.90
Inflation assumption	2.80	2.75	2.80

The assets in the scheme and the expected rate of return (net of investment management expenses) were:

	2008		2007		2006	
	%	£'000	%	£'000	%	£'000
Equities	7.50	29,079	7.50	27,007	7.50	21,787
Bonds	4.50	8,052	4.75	10,945	4.75	8,272
Other	5.25	852	4.50	462	4.50	442
Total market value of assets		42,873		38,414		30,501
Actuarial value of liabilities		(35,631)		(43,924)		(42,977)
Surplus / (Deficit) in Hyde scheme		7,242		(5,510)		(12,476)

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

	2008	2007
	£'000	£'000
Analysis of the amount charged to operating profit:		
Current service cost	793	3,457
	<u>793</u>	<u>3,457</u>
Total Operating Charge	<u>793</u>	<u>3,457</u>
Analysis of the amount credited to net finance charges:		
Expected return on pension scheme assets	2,674	2,146
Interest on pension scheme liabilities	(2,393)	(2,157)
	<u>281</u>	<u>(11)</u>
Net Return	<u>281</u>	<u>(11)</u>
Analysis of the amount in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(5,774)	425
Changes in assumptions underlying the present value of the scheme liabilities	13,396	3,286
Actuarial gain in pension plan	7,622	3,711
Increase in irrecoverable surplus from membership falls and other factors	1,810	-
	<u>5,812</u>	<u>3,711</u>
Actuarial gain/ (loss) recognised in STRGL	<u>5,812</u>	<u>3,711</u>
Movement in scheme deficit during the year		
	2008	2007
	£'000	£'000
At 1 April 2007	(5,510)	(12,476)
Current service cost	(793)	(3,457)
Employer Contributions	6,315	7,134
Other outgoings	(673)	(411)
Net Return	281	(11)
Actuarial gain/(loss)	7,622	3,711
	<u>12,752</u>	<u>6,966</u>
At 31 March 2008	<u>7,242</u>	<u>(5,510)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

History of experienced gains and losses

	2008	2007	2006
	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:	(5,774)	425	4,084
Value of Plan Assets	42,873	38,414	30,501
Percentage of scheme assets	-13.47	1.11	13.39
Experienced gains and (losses) on scheme liabilities	-	-	(1,295)
Present value of scheme liabilities	35,631	43,924	42,977
Percentage of the present value of scheme liabilities	0.00	0.00	(3.01)
Total actuarial gain/(loss) in the statement of total recognised gains and losses:	5,812	3,711	(4,459)
Present value of scheme liabilities	35,631	43,924	42,977
Percentage of the present value of scheme liabilities	16.31	8.45	(10.38)

Hyde Housing Association Limited: London Borough of Lambeth Pension Fund

The financial assumptions used by the actuary were (in nominal terms):

	2008	2007	2006
	% pa.	% pa.	% pa.
Rate of increase in pensionable salaries	5.1	4.7	4.6
Rate of increase of LPI pensions in payment	3.6	3.2	3.1
Discount rate	6.9	5.4	4.9
Inflation assumption	3.6	3.2	3.1

The assets in the scheme and the expected rate of return (net of investment management expenses) were:

	2008		2007		2006	
	%	£'000	%	£'000	%	£'000
Equities	7.7	1,865	7.8	2,521	7.4	2,391
Bonds	5.7	400	4.9	562	4.6	436
Other	5.6	193	5.5	340	5.2	382
Total market value of assets		2,458		3,423	6.8	3,210
Actuarial value of liabilities		(2,708)		(4,427)		(4,538)
Deficit in Lambeth scheme		(250)		(1,004)		(1,328)
Net assets of Group under FRS17		294,068		161,436		145,037

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

	2008	2007
	£'000	£'000
Analysis of the amount charged to operating profit:		
Current service cost	34	49
	<u>34</u>	<u>49</u>
Total Operating Charge	34	49
	<u>34</u>	<u>49</u>
Analysis of the amount credited to net finance charges:		
Expected return on pension scheme assets	242	216
Interest on pension scheme liabilities	(238)	(222)
	<u>4</u>	<u>(6)</u>
Net Return	4	(6)
	<u>4</u>	<u>(6)</u>
Analysis of the amount in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(380)	10
Experience gains and losses arising on the scheme liabilities	587	1
Changes in assumptions underlying the present value of the scheme liabilities	530	306
	<u>737</u>	<u>317</u>
Actuarial gain/ (loss) recognised in STRGL	737	317
	<u>737</u>	<u>317</u>
Movement in scheme deficit during the year		
	2008	2007
	£'000	£'000
At 1 April 2007	(1,004)	(1,328)
Current service cost	(34)	(49)
Contributions	47	62
Net finance income	4	(6)
Actuarial gain/ (loss)	737	317
	<u>(250)</u>	<u>(1,004)</u>
At 31 March 2008	(250)	(1,004)
	<u>(250)</u>	<u>(1,004)</u>
History of experience gains and losses		
	2008	2007
	£'000	£'000
Difference between the expected and actual return on scheme assets:	(380)	10
Value of Plan Assets	2,458	3,423
Percentage of scheme assets	(15.5)	0.3
Experience gains and (losses) on scheme liabilities (£k):	587	1
Present value of scheme liabilities	2,708	4,427
Percentage of the present value of scheme liabilities	21.7	0
Total actuarial loss in the statement of total recognised gains and losses:	737	317
Present value of scheme liabilities	2,708	4,427
Percentage of the present value of scheme liabilities	27.2	7.2

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

The Hyde Group : West Sussex County Council

Martlet Homes Ltd joined the Hyde Group on 14 December 2008. It participates in the local government pension scheme which is administered by West Sussex County Council and is governed by the Superannuation Act 1972. This is a statutory, funded, occupational final salary scheme. The assets of the scheme are held in separate trustee administered funds. On 1st January 2008 the scheme was closed to new employees who would be employed by Hyde and entitled to join the Group pension scheme.

The financial assumptions used by the actuary were (in nominal terms):

	2008	2007	2006
	% pa.	% pa.	% pa.
Rate of increase in pensionable salaries	5.1	4.7	4.6
Rate of increase of LPI pensions in payment	3.6	3.2	3.1
Discount rate	6.9	5.4	4.9
Inflation assumption	3.6	3.2	3.1

The assets in the scheme and the expected rate of return (net of investment management expenses) were:

	2008		2007		2006	
	%	£'000	%	£'000	%	£'000
Equities	7.7	11,124	7.8	10,056	7.4	8,958
Bonds	5.7	2,636	4.9	1,748	4.6	1,431
Property	5.7	1,229	5.8	1,035	5.5	757
Cash	4.8	576	4.9	237	4.6	441
		<hr/>		<hr/>		<hr/>
Total market value of assets		15,565		13,075		11,587
Total value of liabilities		(14,980)		(14,921)		(14,384)
		<hr/>		<hr/>		<hr/>
Surplus / (Deficit) in Martlet scheme		585		(1,846)		(2,797)
Related deferred tax asset		-		203		-
Net Pension Asset / (Liability)		585		(1,643)		(2,797)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>
Net assets of Group under FRS17		294,068		161,436		145,037
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

	2008	2007
	£'000	£'000
Analysis of the amount charged to operating profit:		
Current service cost	945	(1,119)
Past service costs	41	-
	<u>986</u>	<u>(1,119)</u>
Total Operating Charge		
Analysis of the amount credited to net finance charges:		
Expected return on pension scheme assets	972	821
Interest on pension scheme liabilities	(834)	(736)
	<u>138</u>	<u>85</u>
Net Return		
Net revenue account	<u>848</u>	<u>1,034</u>
Analysis of the amount in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(1,507)	(235)
Experience gains and losses arising on the scheme liabilities	(316)	(1)
Changes in assumptions underlying the present value of the scheme liabilities	<u>3,567</u>	<u>1,481</u>
Actuarial gain/ (loss) recognised in STRGL	<u>1,744</u>	<u>1,245</u>
Movement in scheme deficit during the year		
	2008	2007
	£'000	£'000
At 1 April 2007	(1,846)	(2,797)
Current service cost	(945)	(1,119)
Contributions	1,534	738
Contributions in respect of unfunded benefits	1	2
Past Service Costs	(41)	-
Net finance income	138	85
Actuarial gain/ (loss)	<u>1,744</u>	<u>1,245</u>
At 31 March 2008	<u>585</u>	<u>(1,846)</u>
History of experience gains and losses		
	2008	2007
	£'000	£'000
Difference between the expected and actual return on scheme assets:	(1,507)	(235)
Value of Plan Assets	15,565	13,075
Percentage of scheme assets	(9.7%)	(1.8)
Experience gains and (losses) on scheme liabilities (£k):	(316)	(1)
Present value of scheme liabilities	14,980	14,921
Percentage of the present value of scheme liabilities	(2.1%)	0.0%
Total actuarial loss in the statement of total recognised gains and losses:	1,744	1,245
Present value of scheme liabilities	14,980	14,921
Percentage of the present value of scheme liabilities	11.6%	8.3%

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

29. PENSION SCHEME (continued)

Social Housing Pension Scheme (SHPS)

Hyde Housing Association has 6 current employees in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme. It 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".

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 Hyde has elected to operate the career average revalued earnings with a 1/60th accrual rate benefit structure for active members.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a past service funding level of 89%.

Since the contribution rates payable to the scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005. The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

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

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at 14.1% of pensionable salaries for the Career average revalued earnings with a 1/60th accrual rate. During the accounting period Hyde paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates, therefore with effect from 1 April 2007 the employer and employee contribution rates for Hyde employees will be 12.5% and 6% of pensionable salaries respectively.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

30. DIRECTORS' EMOLUMENTS

The Directors during the year were defined as the members of the Board, the Chief Executive and members of the executive management team. The details of Directors of subsidiaries are disclosed in the accounts of those subsidiaries.

	Group and Association	
	2008	Restated 2007
Gross salary excluding pension contributions for	£'000	£'000
Members of the Board		
N Badman	5	2
D Biggs	5	2
E Butler	8	3
S Darcy	8	3
K Falkner	5	2
N Gooderham	8	3
J Green	5	2
D Hancock (Resigned 4 September 2007)	1	2
J Hollyman	15	5
B Jolly	8	3
V Taylor	5	2
C May (Appointed to the Board on 24 January 2008)	-	-
P Sarwal	5	2
D Eastgate (Group Chief Executive)	158	138
J Unsworth (Group Finance Director from 1 January 2008 and appointed to the Board on 24 January 2008)	40	-
 <u>Members of Executive Management Team</u>		
Austen Reid	133	109
Tim Coppard (Acting Group Finance Director until 1 January 2008)	77	91
Tom Titherington	125	110
Caroline Titley (Resigned 2 November 2007)	63	94
 Total	669	571

The comparative disclosure has been restated to remove employer national insurance charges which had been included in gross remuneration.

	Group and Association	
	2008	2007
Pension contributions	£'000	£'000
David Eastgate	15	23
John Unsworth	4	-
Austen Reid	19	19
Tim Coppard (Acting Finance Director until 1 January 2008)	9	14
Tom Titherington	17	20
Caroline Titley (Resigned 2 November 2007)	6	16
 Total	70	92

None of the Directors, except as stated above received any pension contributions from the Group.

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

30. DIRECTORS' EMOLUMENTS (continued)

The highest paid Director, the Chief Executive of Hyde Housing Association Limited, is employed jointly by the entities within the Hyde Group. Details of his emoluments, including National Insurance contributions, in respect of his services to the whole Group are as follows:

	Group and Association	
	2008	2007
	£'000	£'000
Excluding pension contributions	177	154

The Chief Executive is a member of the Hyde Housing Association Pension and Assurance Scheme. The terms and conditions of his membership are consistent with all other employees of the Association.

31. GROUP ACCOUNTS

The Group comprises the following:

Hyde Charitable Trust is a Company Limited by Guarantee and registered in the United Kingdom and its principal activity continues to be that of a grant making trust.

Hyde Southbank Homes Limited is an Industrial and Provident Society and a Registered Social Landlord. It controls 2,340 properties in Stockwell in the London Borough of Lambeth of which 1,759 are let to tenants and 581 are leasehold.

Chichester Diocesan Housing Association Limited was an Industrial and Provident Society and a Registered Social Landlord. It transferred its engagements to Hyde Housing Association on 4 September 2007.

Hyde Vale Limited is a Company registered in England and Wales and wholly owned by Hyde Housing Association Limited. The Company is developing property for outright sale on a commercial basis.

Hillside Housing Trust is an Industrial and Provident Society and a Registered Social Landlord. It undertook housing management and related economic and social regeneration activities on behalf of the Stonebridge Housing Action Trust (HAT) until the HAT was wound up in 2007.

Minster General Housing Association Ltd is an Industrial and Provident Society and a Registered Social Landlord. It is based in Peterborough and owns 1,614 properties and manages a further 209 properties in the area.

Intouch Support is a registered charity undertakes the supported housing activities of the Hyde Group.

Martlet Homes Limited is a non charitable company limited by guarantee and a Registered Social Landlord. It owns 5,229 properties in West Sussex. It joined the Hyde Group as a subsidiary of Hyde Housing Association on 14 December 2007.

Matrix Charitable Foundation is a charitable Industrial and Provident Society and is a subsidiary of Martlet Homes Limited. Its' principle activity will be grant funding local charities.

Brent Co-Efficient Ltd is a company limited by guarantee registered on 26 November 2007. It is a wholly owned subsidiary of Hyde HA and will be the special purpose vehicle to deliver a PFI project in the London Borough of Brent. It is currently dormant.

All subsidiaries are members of the Group by virtue of the ability of Hyde Housing Association Limited, the Group parent, to control the composition of their Boards of Management. In accordance with financial reporting standards, results of all subsidiaries are incorporated in the consolidated accounts.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

32. ADDITION OF SUBSIDIARY UNDERTAKING MARTLET HOMES LIMITED

GROUP	2008 £'000
Net assets acquired	
Tangible fixed assets	
- Housing properties	212,343
- Other assets	4,298
Stock and work in progress	2,864
Debtors	1,451
Creditors	(112,505)
	<hr/>
	108,451
Consideration	-
Negative Goodwill	108,451
	<hr/> <hr/>

Martlet Homes Limited joined The Hyde Group on 14 December 2007. Its assets and liabilities are reflected in the consolidated accounts at fair values in compliance with the acquisition accounting requirements of FRS6.

33. TRANSFER OF ENGAGEMENTS

Chichester Diocesan Housing Association Limited transferred its engagements to Hyde Housing Association on 4 September 2007.

	2008 £'000
ASSOCIATION	
Housing properties at cost	77,572
Social Housing Grant	(48,348)
Depreciation	(1,941)
	<hr/>
	27,283
Negative Goodwill	(3,829)
Current assets	267
Long term loans	(19,337)
	<hr/>
	4,384
	<hr/> <hr/>
Restricted reserves	1,722
Designated reserves	2,662
	<hr/>
	4,384
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NOTES TO THE ACCOUNTS

Year ended 31 March 2008

34. RELATED PARTY TRANSACTIONS

Certain committee members, acting in a capacity of tenant representatives are tenants of the Association. Their tenancies are granted on the same terms and conditions and managed on the same basis as other tenants of the Association.

Elizabeth Butler is the Chair of Bromley Primary Care Trust (PCT). Hyde HA manages four learning disabilities schemes in partnership with the PCT and is working on a pilot scheme with the PCT to deliver shared ownership accommodation for people with learning disabilities. Hyde is a preferred provider for development, housing and support services to the PCT.

Central Management Services have been provided since 14 December 2007 from Hyde Housing Association to Martlet Homes Limited for £276,000 (2007: £Nil) in relation to services provided for finance, IT, human resources, new business and other central corporate services.

Hyde Southbank Homes Ltd provides management services to Hyde Housing Association for an annual fee of £762,787 (2007: £45,955) and rents office accommodation from Hyde Housing Association for £41,955 per annum (2007: £67,603).

Central management services are also provided from Hyde Housing Association to Hyde Southbank Homes Ltd for £760,000 (2007: £740,000) in relation to services provided for finance, I.T., human resources, new business and corporate services.

Central management services are provided from Hyde Housing Association to Hyde Vale Ltd for £111,000 (2007: £160,000) in relation to services provided for finance, I.T., human resources, new business and corporate services.

Central management services are provided from Hyde Housing Association Limited to Minster General Housing Association Limited in relation to services provided for finance, IT, human resources, new business and other central corporate services. The cost for 2007/08 was £247,000 (2006 : £200,000).

Central management services are provided from Hyde Housing Association to In Touch Support Limited for £1,051,000 (2007: £805,000) in relation to services provided for finance, I.T., human resources, new business and corporate services.

Central management services are also provided from Hyde Housing Association to Hillside Housing Trust for £288,000 (2007: £280,000) in relation to services provided for finance, I.T., human resources, new business and corporate services.

Martlet Homes Limited has provided services to Hyde Housing Association for the management of its housing stock in Surrey, Sussex and Hampshire since 1 January 2008. The cost of these revenue services for the year was £537,000 (2007: £ Nil).

Minster General Housing Association Ltd provides management services to Hyde Housing Association in respect of Hyde housing stock in the Peterborough area. The cost of these revenue services for the year was £3,402 (2007: £ Nil).

Hyde Housing Association transferred assets of £4,991,411 (2007: £13,510,145) to Hyde Vale on an arms length basis and recognised a gain of £108,275 (2007: £63,516). Hyde Vale is developing these assets for outright sale on a commercial basis.

Hyde Vale transferred assets of £1,192,000 (2007: Nil) to Hyde Housing Association on an arms length basis at a loss of £240,530 (2007: Nil).

The Association is a minority shareholder in the partnership arrangement for managing the PFI contract in Islington and is responsible for providing housing management services. It has guaranteed a rent collection percentage. Where actual rent collection is below this target the Association is obliged to make up the shortfall. In 2008 actual collections exceeded the target and there was no liability in respect of this guarantee.

All other transactions with the subsidiaries are not separately disclosed in these accounts on the grounds of immateriality. Where material to the subsidiary, they are disclosed in their accounts.

Hyde Housing Association has an outstanding loan of £6,000,000 (2007: £6,000,000) due from Hyde Vale.

Hyde Housing Association Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

35. LEGISLATIVE PROVISIONS

The Association is registered under the Industrial and Provident Societies Act 1965.

36. PAYMENTS TO CREDITORS

The Association has a policy of paying suppliers within agreed payment terms. Subject to resolution of any queries or discrepancies on specific invoices, payment terms within the year were approximately 28 days.

37. SOCIAL HOUSING GRANT

Total Social Housing Grant received to date and receivable at the year end is as follows:

	2008	2007
	£'000	£'000
SHG and other capital grant deducted from the cost of housing properties and LAMS improvements	940,256	851,048

