

**KELSEY HOUSING ASSOCIATION LIMITED**

**Financial Statements**

**Year ended 30 September 2007**

**KELSEY HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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# **KELSEY HOUSING ASSOCIATION LIMITED**

## **BOARD, EXECUTIVE AND ADVISORS**

**Year ended 30 September 2007**

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### **BOARD MEMBERS**

David Lewis (Chair)	Appointed 22 February 2007 as Chair
Graham Roper (Chair)	Resigned 22 February 2007
Ron Bassett Cross (Vice Chairman)	Resigned 22 February 2007
Barry Styles (Treasurer)	Resigned 22 February 2007
Patrick Marais	Resigned 22 February 2007
Martin Plummer	
Pauline Gaunt	
Monica Ford	Resigned 22 February 2007
Maya Vadgama	
Joan Armstrong (so-opted)	
Joe Scullion	

### **BANKERS**

PO Box 427  
Barclays Bank  
40/46 High Street  
Maidstone  
Kent  
ME14 1TW

### **SENIOR MANAGEMENT**

Nigel Poole (Chief Executive)

### **AUDITORS**

BDO Stoy Hayward LLP  
Emerald House  
East Street  
Epsom  
Surrey  
KT17 1HS

### **SECRETARY**

Sue Cook

### **SOLICITORS**

Maclay Murray Spens  
10 Foster Lane  
London  
EC2V 6HH

### **HEAD OFFICE**

2 Perry Hall Road  
Orpington  
Kent  
BR6 0JJ  
Kent  
BR6 0JJ

# **KELSEY HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD**

**30 September 2007**

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The Board is pleased to present the audited financial statements for the year ended 30 September 2007.

### **Principal activity**

The principal activity of the Association is the provision of accommodation for people on low incomes and the provision of low cost home ownership properties.

### **Review of results**

The Association made a surplus of **£418,000** for the year ended 30 September 2007 (2006: £823,000 surplus for the 18 months ended 30 September 2006).

During the year the Association adopted the 'Statement of Recommended Practice update 2008' which requires that any surplus or deficit on first tranche sales be reflected in the income and expenditure account (page 12). The surplus recognised in the 2007 income and expenditure account for these sales is £869,000.

The Association's turnover and operating costs for the period ended 30 September are shown on page 6. Further analysis of the performance of the various business segments is shown on pages 14 and 15.

### **Board members**

The Board members of the Association who served during the period are shown on page 1.

### **Insurance**

Insurance policies are maintained by the Association for members of the Board and Executive Directors against liabilities in relation to the Association.

### **Statement of board responsibilities**

The Board is responsible for preparing financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial period which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that year. 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, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enables its members to ensure that the financial statements comply 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. It is also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

## **KELSEY HOUSING ASSOCIATION LIMITED**

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

**30 September 2007**

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All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Board members are not aware of any relevant audit information of which the auditors are unaware.

#### **Corporate governance and internal control**

The Board has complied with the code of governance 'Competence and Accountability 2004' issued by the National Housing Federation (NHF) and accepted it as the Association's code of good practice.

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

As part of its ongoing review of the effectiveness of internal control systems and in response to instances of identified internal control weaknesses, the Board has considered the implications and has ensured that there is a process of timely review and rectification in place to deal with all significant issues. This includes matters arising from internal control reviews, special investigations and in response to any losses identified.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: Internal controls assurance.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of each Association's activities. This process is co-ordinated by the Group the Risk and Planning department covering the full range of activities undertaken by the Group. The Risk and Planning Director reports through to the Audit Committee.

- Monitoring and corrective action

A process of regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted the

## **KELSEY HOUSING ASSOCIATION LIMITED**

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

**30 September 2007**

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NHF's code of governance 'Competence and Accountability 2004'. The Board disseminates its requirements to all employees through its policies with regard to the quality, integrity and ethics of its employees.

It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- **The Housing Corporation Regulatory Code**

The Board has responsibility for ensuring that the Association has complied with its obligations under the regulatory code. The Housing Corporation focuses on the robustness of the Association's finance and risk strategies; the effectiveness of its corporate governance; and the delivery of its housing strategies. In consultation with the Association the Housing Corporation draws up an annual regulatory plan, monitors progress against it and assesses the Association's governance performance.

- **Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Group Audit Committee. The Committee considers internal control and risk at its meetings during the year.

The Board receives the minutes of meetings of the Group Audit Committee. A member of the Board is a member of the Group Audit Committee. The Board consider these minutes when establishing the effectiveness of the systems of internal control and takes into account any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the period under review, up to the date of the annual report, and is regularly reviewed by the Board.

### **Going concern**

The Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Auditors**

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

D Lewis  
Chair

Date: 21 February 2008

## **KELSEY HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE INDEPENDENT AUDITORS**

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#### **Independent Auditor's Report to Kelsey Housing Association Limited**

We have audited the financial statements of Kelsey Housing Association Limited for the year ended 30 September 2007 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Board Responsibilities the Association's Board is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of Schedule 1 paragraph 16 to the Housing Act 1996 and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### **Basis of audit opinion**

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

#### **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 Association's affairs as at 30 September 2007 and of its results for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

#### **BDO STOY HAYWARD LLP**

*Chartered Accountants and Registered Auditors*

#### **EPSOM**

Date: 21 February 2008

**KELSEY HOUSING ASSOCIATION LIMITED****INCOME AND EXPENDITURE ACCOUNT**

Year ended 30 September 2007

		Year ended 30 September 2007	18 months ended 30 September 2006 as restated
	Note	£'000	£'000
<b>Turnover</b>	3	<b>24,027</b>	26,691
Cost of Sales	3	(6,789)	(3,849)
Operating costs	3	(11,382)	(15,297)
<b>Operating surplus</b>	3	<b>5,856</b>	7,545
Surplus on sale of fixed assets	5	269	219
Bank interest receivable		145	168
Interest payable and similar charges	8	(5,852)	(7,109)
<b>Surplus on ordinary activities</b>	9 & 20	<b>418</b>	823

All amounts relate to continuing activities.

Historical cost surpluses and deficits were identical to those shown in the Income and Expenditure account.

**Statement of total recognised surpluses and deficits**

	2007	2006
	£'000	£'000
Surplus for the period	418	823
Prior year adjustment	722	-
<b>Total surplus/(deficit) recognised since last annual accounts</b>	<b>1,140</b>	823

The notes on pages 8 to 33 form part of these financial statements.

# KELSEY HOUSING ASSOCIATION LIMITED

## BALANCE SHEET 30 September 2007

		2007		2006 as restated	
	Note	£'000	£'000	£'000	£'000
<b>Tangible fixed assets</b>					
Housing properties at cost	10		<b>243,405</b>		227,021
Social Housing Grant	10		<b>(130,519)</b>		(125,291)
Depreciation	10		<b>(4,560)</b>		(3,633)
			<b>108,326</b>		98,097
<b>Other fixed assets</b>	11		<b>3,067</b>		3,278
			<b>111,393</b>		101,375
<b>Investments</b>	12		<b>1,107</b>		1,107
			<b>112,500</b>		102,482
<b>Current assets</b>					
Properties for sale	13	<b>11,004</b>		9,088	
Debtors	14	<b>2,287</b>		1,968	
Investments		<b>440</b>		440	
Cash at bank and in hand		<b>561</b>		854	
		<b>14,292</b>		12,350	
<b>Creditors</b>					
Amounts falling due within one year	15	<b>(5,969)</b>		(7,016)	
<b>Net current liabilities</b>			<b>8,323</b>		5,334
<b>Total assets less current liabilities</b>			<b>120,823</b>		107,816
<b>Creditors</b>					
Amounts falling due after more than one year	15		<b>106,356</b>		88,273
<b>Provisions for liabilities and charges</b>	18		<b>2,106</b>		7,600
<b>Capital and reserves</b>					
Share capital	19		-		-
Revenue reserves	20		<b>1,849</b>		1,512
Designated reserves	21		<b>10,512</b>		10,431
			<b>120,823</b>		107,816

These financial statements were approved by the Board and authorised for issue on 21 February 2008.

**D Lewis**  
Chair

**M Vadgama**  
Board Member

**S Cook**  
Secretary

The notes on pages 8 to 33 form part of these financial statements.

# KELSEY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

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### 1 Principal accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice, 'Accounting by Registered Social Landlords (update 2008)', the Accounting Requirements for Registered Social Landlords General Determination 2006 and on the historical cost basis. A summary of the more important accounting policies is set out below.

#### Turnover

Turnover represents rental income receivable, fees receivable, donations received and grants from local authorities and the Housing Corporation. The sale proceeds from properties built for outright sale are also included in turnover.

#### Other fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Freehold office	Over 50 years
Freehold office additions	Over 10 years
Office furniture and equipment	Over 3 to 7 years
Motor vehicles	Over 4 years

#### Housing properties and depreciation

Housing properties in the course of construction are stated at cost and are not depreciated.

Housing properties are transferred to completed properties when they are ready for letting and are stated at cost.

Additions to Social Housing Grant (SHG) include discounted land or property to the extent that the market value of the land or property exceeds the cost at the date of purchase, with an equal amount shown as addition to the cost.

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of Social Housing Grant) of freehold properties other than freehold land to their estimated residual value on a straight-line basis over 75 years. Properties held on long leases are depreciated over their estimated useful economic lives or the life of the lease if there is 75 years or less left to run.

As the useful economic life of the assets has been estimated at in excess of 50 years, an impairment review has been carried out as required by FRS 15. The review indicated there had been no diminution of value of the assets or impairment of the carrying value.

## **KELSEY HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 30 September 2007**

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#### **1 Principal accounting policies (continued)**

Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are described as properties for resale. The related SHG is deducted from cost incurred. Similarly, properties built for outright sale are classified as current assets.

#### **Shared ownership and staircasing**

Under shared ownership arrangements, the Association disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the "first tranche"). The occupier has the right to purchase further proportions at the current valuation up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Association, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after the operating result as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sales account arriving at the surplus or deficit.

Social Housing Grant in respect of shared ownership properties is allocated against the fixed element of the shared ownership property and is treated as a deduction from fixed assets.

#### **Works to existing properties**

The Association capitalises any major repair expenditure on existing housing properties which add to the value of the properties, or extend the useful life, or enhances the properties and which would have resulted in additional costs at the time of the original construction. Improvements to property that relate to integral assets with a separately identifiable life to the property concerned are also capitalised but are depreciated over their expected economic life on a straight line basis.

#### **Capitalisation of interest and development administration costs**

Interest on the Association's borrowings is capitalised in fixed asset housing properties under construction up to the date of completion of each scheme. The interest is either on borrowings specifically financing a scheme (after deduction of interest on SHG received in advance) or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was required.

Development administration costs directly attributable to development of specific schemes are capitalised in housing properties comprising direct staff costs and incremental cost.

## **KELSEY HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Year ended 30 September 2007**

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#### **1 Principal accounting policies (continued)**

##### **Social Housing Grant (SHG)**

Social Housing Grant (SHG) is a capital grant made to the Association under the 1996 Housing Act towards the cost of acquiring and/or building additional housing for rent or sale on a basis related to cost, but varying according to area and type of scheme.

Where general needs and shared ownership developments have been financed wholly or partly by SHG and other capital subsidies, the cost of these developments has been reduced by the amount of the grant receivable.

SHG is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the SHG repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Housing Corporation's right to recover SHG to their own loans.

SHG which is received in advance of total development costs is shown as a current liability.

SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it related.

##### **Recycled Capital Grant Fund**

Following certain relevant events, primarily the sale of dwellings, the Housing Corporation can direct the Association to recycle capital grant (SHG) or to repay the recoverable capital grant back to the corporation. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

##### **Retirement benefits**

The Association participates in the Social Housing Pension Scheme, a final salary pension scheme. Retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the scheme. Payments are made to a fund operated by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. The expected cost to the Association of pension contributions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees (see note 27 for full disclosure).

The Association also has three employees who participate in the Hampshire County Council Pension Scheme. The scheme is a defined benefit scheme based on final salary (see note 27 for full disclosure).

# KELSEY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 2007

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### 1 Principal accounting policies (continued)

#### Interest costs

The Association's funding, liquidity and exposure to interest rate risks are managed by the treasury department. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board. To manage interest rate risk the Association manages its proportion of fixed to variable rate borrowings within approved limits.

#### Designated reserve

A reserve has been established in respect of major repairs for those schemes for which no other funding is available. The reserves held are maintained to cover the forecast expenditure in future years identified by the stock condition survey. A review is made each year and as a result appropriate amounts are transferred from this reserve to cover major repairs costs as they are incurred.

#### Taxation

The Association has charitable status and is not assessable for Corporation Tax on its charitable activities.

#### Provisions

The Association only provides for contractual liabilities which exist at the balance sheet date.

### 2 Prior year adjustment

The Statement of Recommended Practice (SORP) for registered social landlords has been updated for periods commencing on or after 1 April 2008, however early adoption is permitted.

The existing SORP recommends that first tranche sale proceeds are credited to fixed asset housing property costs. The new SORP treatment requires the cost of development in respect of first tranches to be reclassified as current assets and for a surplus or deficit on first tranche sales to be reflected in the income and expenditure account.

The Association has adopted this treatment early and the effect of the prior year adjustment on Revenue Reserves and shared ownership housing properties in fixed assets and current assets is as follows:

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007****2 Prior year adjustment (continued)**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance sheet fixed asset housing properties</b>		
Completed fixed asset shared ownership housing properties at beginning of year as previously stated	6,775	5,332
Add: accumulated first tranche surpluses from prior years	722	689
Less: transfer to current assets representing first tranche costs of shared ownership properties to be sold	(2,137)	(433)
	<hr/>	<hr/>
Completed fixed asset shared ownership housing properties at beginning of year as restated (note 10)	5,360	5,588
	<hr/> <hr/>	<hr/> <hr/>
<b>Balance sheet fixed asset housing properties</b>		
Fixed asset shared ownership housing properties under construction at beginning of year as previously stated	19,152	5,686
Less: transfer to current assets representing costs of shared ownership schemes under construction attributable to the makings of first tranche sales	(6,951)	(2,903)
	<hr/>	<hr/>
Fixed asset shared ownership housing properties under construction at beginning of year as restated (note 10)	12,201	2,783
	<hr/> <hr/>	<hr/> <hr/>
<b>Balance sheet properties for sale</b>		
Properties for sale shared ownership at beginning of year as previously stated	-	-
Add: transfer from fixed asset housing properties	9,088	3,336
	<hr/>	<hr/>
Properties for sale shared ownership at beginning of year as restated (note 13)	9,088	3,336
	<hr/> <hr/>	<hr/> <hr/>
<b>Balance sheet revenue reserves</b>		
Surplus from shared ownership first tranche sales representing:		
- accumulated first tranche proceeds	7,692	3,810
- accumulated cost of sales	(6,970)	(3,121)
	<hr/>	<hr/>
Prior year adjustment to opening revenue reserves	722	689
	<hr/> <hr/>	<hr/> <hr/>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

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**2 Prior year adjustment (continued)**

**Income and expenditure account restatement for the 18 months ending 30 September 2006**

	<b>2006</b> <b>£'000</b>
Turnover as previously stated	22,809
Add: proceeds from sale of shared ownership first tranches	3,882
Turnover as restated (note 3)	<u>26,691</u>
Cost of sales as previously stated	-
Add: cost of sales of shared ownership first tranches	3,849
Cost of sales as restated (note 3)	<u>3,849</u>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**3 Turnover, operating costs and operating surplus**

	Year ended 30 September 2007				18 months ended 30 September 2006 As restated			
	Turnover £'000	Cost of sale	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sale	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings (note 4)</b>	<b>13,778</b>	-	<b>(9,565)</b>	<b>4,213</b>	19,292	-	(12,732)	6,560
<b>Other income and expenditure</b>								
Shared ownership first tranche sales	7,200	(6,331)	-	869	3,882	(3,849)	-	33
Development services	-	-	(526)	(526)	-	-	(1,002)	(1,002)
Group Homes	1,627	-	(659)	968	2,148	-	(948)	1,200
Other	99	-	(92)	7	217	-	(170)	47
	<b>22,704</b>	<b>(6,331)</b>	<b>(10,842)</b>	<b>5,531</b>	<b>25,539</b>	<b>(3,849)</b>	<b>(14,852)</b>	<b>6,838</b>
<b>Non social housing activities</b>								
Lettings	851	-	(280)	571	1,152	-	(445)	707
Outright sales	472	(458)	-	14	-	-	-	-
Other	-	-	(260)	(260)	-	-	-	-
	<b>24,027</b>	<b>(6,789)</b>	<b>(11,382)</b>	<b>5,856</b>	<b>26,691</b>	<b>(3,849)</b>	<b>(15,297)</b>	<b>7,545</b>
<b>Non social housing lettings</b>								
Student accommodation	383	-	(68)	315	554	-	(153)	401
Residential care homes	-	-	-	-	1	-	-	1
NHS accommodation	233	-	(89)	144	347	-	(96)	251
Office rental	80	-	-	80	58	-	-	58
Leasehold properties	142	-	(123)	19	192	-	(196)	(4)
Management fee	13	-	-	13	-	-	-	-
	<b>851</b>	-	<b>(280)</b>	<b>571</b>	<b>1,152</b>	-	<b>(445)</b>	<b>707</b>

The Association's rent setting policy is such that all costs incurred in making properties available for letting are covered by rental income, including costs not shown against housing accommodation such as interest and reserves for major repairs.

Group Homes relate to properties owned and leased by the Association that are then leased to organisations that provide care and support to those that require additional support. The Association receives rental income for this provision and is also responsible for maintaining the properties.

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**4 Income and expenditure from social housing lettings**

	General needs housing	Supported housing	Leased	Shared ownership	Total 30 September 2007	Total 18 months ended 30 September 2006
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover from social housing lettings</b>						
Rents receivable net of identifiable service charges	11,520	556	213	435	<b>12,724</b>	17,873
Service charges	767	164	2	91	<b>1,024</b>	1,373
	<u>12,287</u>	<u>720</u>	<u>215</u>	<u>526</u>	<u><b>13,748</b></u>	<u>19,246</u>
Other income	30	-	-	-	<b>30</b>	46
<b>Turnover from social housing lettings</b>	<u>12,317</u>	<u>720</u>	<u>215</u>	<u>526</u>	<u><b>13,778</b></u>	<u>19,292</u>
<b>Expenditure on social housing lettings</b>						
Management	1,826	158	25	32	<b>2,041</b>	3,823
Rents payable	-	-	172	-	<b>172</b>	293
Services	893	184	3	84	<b>1,164</b>	1,611
Repairs and maintenance	3,180	219	79	33	<b>3,511</b>	4,845
Major repairs expenditure	1,300	25	2	1	<b>1,328</b>	963
Rent losses from bad debts	22	7	7	-	<b>36</b>	54
Depreciation of housing properties	660	37	15	72	<b>784</b>	978
Other housing costs	496	16	5	12	<b>529</b>	165
<b>Total expenditure on social housing lettings</b>	<u><b>8,377</b></u>	<u><b>646</b></u>	<u><b>308</b></u>	<u><b>234</b></u>	<u><b>9,565</b></u>	<u>12,732</u>
<b>Operating surplus on social housing lettings</b>	<u><b>3,940</b></u>	<u><b>74</b></u>	<u><b>(93)</b></u>	<u><b>292</b></u>	<u><b>4,213</b></u>	<u>6,560</u>
Rent losses from voids included in rent receivable	(96)	(51)	(40)	-	<b>(187)</b>	(241)

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007****5 Surplus on sale of fixed assets**

	<b>Further tranches (‘staircasing’)</b>	<b>Other</b>	<b>Total Year ended 30 September 2007 £’000</b>	<b>Total 18 months ended 30 September 2006 £’000</b>
	<b>£’000</b>	<b>£’000</b>		
Proceeds of sale	713	72	<b>785</b>	667
Less: Cost of sale	(515)	(155)	<b>(670)</b>	(498)
Incidental costs	(1)	-	<b>(1)</b>	(3)
Grant retained	-	155	<b>155</b>	53
Surplus for period	<u>197</u>	<u>72</u>	<u><b>269</b></u>	<u>219</u>

**6 Directors emoluments and expenses**

For the purpose of this note, the directors are defined as the members of the Board and the Executive Officers.

During the year, Board members received emoluments totalling **£6,250** (2006:£nil).

	<b>Year ended 30 September 2007 £’000</b>	<b>18 months ended 30 September 2006 £’000</b>
Total emoluments paid to directors (including pension contribution)	<b>107</b>	740

The £740,278 in 2006 includes £295,846 of redundancy costs.

**Emoluments of highest paid director (excluding pension contributions)**

Salary	<b>82</b>	120
Compensation for loss of office	-	193
Benefits in kind	<b>7</b>	16
Performance related pay	<b>8</b>	-
	<u><b>97</b></u>	<u>329</u>

The Chief Executive is an ordinary member of the social housing pension scheme and it is the only scheme to which the Association contributes in respect of the Chief Executive.

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 30 September 2007****7 Employee information**

The average number of employees (including the Chief Executive) expressed in full time equivalents during the year was:

	<b>Year ended 30 September 2007 Number</b>	<b>18 months ended 30 September 2006 Number</b>
Office staff	82	83
Wardens	1	1
	<u>83</u>	<u>84</u>

**Staff costs (for the above persons)**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Wages and salaries	2,301	3,621
Social security costs	197	317
Other pension costs (see note 26)	177	264
	<u>2,675</u>	<u>4,202</u>

**8 Interest payable and similar charges**

	<b>Year ended 30 September 2007 £'000</b>	<b>18 months ended 30 September 2006 £'000</b>
On bank loans, overdrafts and other loans repayable:		
Within 5 years	37	54
In more than 5 years	6,535	7,589
Recycled Capital Grant Fund interest	18	10
	<u>6,590</u>	<u>7,653</u>
Less: Interest capitalised in housing properties	(738)	(544)
	<u>5,852</u>	<u>7,109</u>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

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**9 Surplus on ordinary activities**

	<b>Year ended 30 September 2007 £'000</b>	<b>18 months ended 30 September 2006 £'000</b>
<b>Is stated after charging:</b>		
Operating lease rentals of land and buildings	172	194
Depreciation	1,211	1,535
Auditors' remuneration (including VAT and expenses)		
In their capacity as auditors	33	30
In respect of other services	9	6
	<u>          </u>	<u>          </u>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**10 Housing Properties**

	Rented housing properties		Shared ownership housing properties		Total
	Complete	In progress	Complete	In progress	
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2006 as restated	192,848	16,612	5,360	12,201	227,021
Reanalysis	(421)	-	421	-	-
Additions	1,695	7,917	6,829	8,504	24,945
Schemes completed	12,469	(12,469)	3,203	(3,203)	-
Transfer to current assets	-	-	(4,814)	(2,549)	(7,363)
Disposals	(222)	-	(976)	-	(1,198)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 September 2007</b>	<b>206,369</b>	<b>12,060</b>	<b>10,023</b>	<b>14,953</b>	<b>243,405</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Social Housing Grant</b>					
At 1 October 2006	108,160	7,571	3,914	5,646	125,291
Received in the period	(13)	4,271	13	1,450	5,721
Schemes completed	7,264	(7,264)	4,292	(4,292)	-
Disposals	(220)	-	(273)	-	(493)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 September 2007</b>	<b>115,191</b>	<b>4,578</b>	<b>7,946</b>	<b>2,804</b>	<b>130,519</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>					
At 1 October 2006	3,575	-	58	-	3,633
Charge for the year	861	-	72	-	933
Disposal	(2)	-	(4)	-	(6)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 September 2007</b>	<b>4,434</b>	<b>-</b>	<b>126</b>	<b>-</b>	<b>4,560</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>					
<b>At 30 September 2007</b>	<b>86,744</b>	<b>7,482</b>	<b>1,951</b>	<b>12,149</b>	<b>108,326</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 1 October 2006 as restated	81,113	9,041	1,388	6,555	98,097
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Additions to housing properties during the period included net capitalised interest paid of **£738,000** (2006: £544,000) and cumulatively, since April 1999, £2,984,000

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**10 Housing properties (continued)**

Net book value of housing properties comprises:	2007	2006
	£'000	as restated £'000
Freehold properties	105,302	94,495
Long leasehold properties	3,024	3,602
	<u>108,326</u>	<u>98,097</u>

**11 Other fixed assets**

Cost	Freehold office premises £'000	Furniture, equipment and motor vehicles £'000	Leasehold buildings £'000	Total £'000
<b>At 1 October 2006</b>	2,880	1,428	129	4,437
Additions	-	73	5	78
Disposals	-	(27)	-	(27)
<b>At 30 September 2007</b>	<u>2,880</u>	<u>1,474</u>	<u>134</u>	<u>4,488</u>
<b>Depreciation</b>				
<b>At 1 September 2006</b>	410	642	107	1,159
Charge for the year	43	230	5	278
Disposals	-	(16)	-	(16)
<b>At 30 September 2007</b>	<u>453</u>	<u>856</u>	<u>112</u>	<u>1,421</u>
<b>Net book value</b>				
<b>At 30 September 2007</b>	<u>2,427</u>	<u>618</u>	<u>22</u>	<u>3,067</u>
At 1 October 2006	<u>2,470</u>	<u>786</u>	<u>22</u>	<u>3,278</u>

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**

Period ended 30 September 2007

**12 Investments**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Listed on a recognised investment exchange	<b>1,009</b>	1,009
Other investments	<b>98</b>	98
	<u><b>1,107</b></u>	<u>1,107</u>
	<u><b>1,050</b></u>	<u>1,118</u>

No sum has been included in the accounts in relation to the market value of the investments as this is the value of a security held by Trustees in connection with a borrowing facility.

**13 Properties for sale**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>as restated £'000</b>
Shared ownership first tranche sales	<b>10,120</b>	9,088
Outright sale properties	<b>459</b>	-
Other	<b>425</b>	-
	<u><b>11,004</b></u>	<u>9,088</u>

**14 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Gross rents and service charges</b>		
Current tenant arrears	<b>859</b>	880
Former tenant arrears	<b>172</b>	146
Less: Provision for bad debts	<b>(331)</b>	(341)
	<u><b>700</b></u>	<u>685</u>
Other debtors	<b>1,587</b>	1,283
	<u><b>2,287</b></u>	<u>1,968</u>

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007****15 Creditors**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>as restated £'000</b>
<b>Amounts falling due within one year:</b>		
Housing loans (see note 16)	<b>386</b>	608
Bank overdraft	<b>41</b>	432
Trade creditors	<b>854</b>	780
Recycled Capital Grant Fund (see note 17)	<b>118</b>	112
Other taxes and social security costs	<b>71</b>	89
Amount owed to group undertakings	<b>266</b>	169
Hostel schemes management fees	<b>422</b>	346
Other creditors and accruals	<b>3,811</b>	4,480
	<b>5,969</b>	7,016
<b>Amount falling due after more than one year:</b>		
Recycled Capital Grant Fund (see note 17)	<b>427</b>	142
Housing loans (see note 16)	<b>105,929</b>	88,131
	<b>106,356</b>	88,273

# KELSEY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 2007

### 16 Housing loans

Housing loans from lending institutions and subsidiary undertakings are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest as follows:

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Housing loans repayable by instalments</b>		
Between one and two years	<b>680</b>	891
Between two and five years	<b>4,878</b>	4,434
In five or more years	<b>95,371</b>	77,806
	<u><b>100,929</b></u>	<u>83,131</u>
In one year or less	<b>386</b>	608
	<u><b>101,315</b></u>	<u>83,739</u>
	<u><u><b>101,315</b></u></u>	<u><u>83,739</u></u>
<b>Housing loans not repayable by instalments</b>		
Between one and two years	-	-
Between two and five years	-	-
In five or more years	<b>5,000</b>	5,000
	<u><b>5,000</b></u>	<u>5,000</u>
In one year or less	-	-
	<u><b>5,000</b></u>	<u>5,000</u>
	<u><u><b>5,000</b></u></u>	<u><u>5,000</u></u>
<b>Total of all housing loans</b>	<u><u><b>106,315</b></u></u>	<u><u>88,739</u></u>

Loans from Local Authorities banks and building societies are secured by fixed charges on 2,319 of the Association's housing properties. They are repayable at varying rates of interest between 4.4% and 11.5%.

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

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**17 Recycled Capital Grant Fund**

	<b>Total £'000</b>
At 1 October 2006	254
Grant released on sales	273
Interest added to fund	18
<b>At 30 September 2007</b>	<b>545</b>
Due within one year	118
Due in more than one year	427
	<b>545</b>

**18 Provision for liabilities and charges**

	<b>Total £'000</b>
At 1 October 2006	7,600
Utilised	(5,494)
<b>At 30 September 2007</b>	<b>2,106</b>

The provision relates to an onerous contract for the refurbishment of a scheme entered into on 31 March 2004. The balance of the provision will be utilised within 12 months of the balance sheet date as the refurbishment works are due for completion by April 2008.

## KELSEY HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 September 2007

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#### 19 Share capital

	2007 £	2006 £
Shares of £1 each issued and fully paid		
At beginning of year	50	50
Issued in the year	2	-
<b>At end of year</b>	<u>52</u>	<u>50</u>

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the Association.

#### 20 Revenue reserves

	<b>Total £'000</b>
At 1 October 2006	790
Prior year adjustment (see note 2)	722
As restated	<u>1,512</u>
Surplus for year	418
Transfers to designated reserves	(81)
<b>At 30 September 2007</b>	<u><b>1,849</b></u>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**21 Designated reserves**

	<b>Major repairs reserve £'000</b>	<b>Care homes &amp; hostels Reserve £'000</b>	<b>Equipment replacement reserve £'000</b>	<b>Total £'000</b>
At 1 October 2006	9,849	343	239	10,431
Transfer from income and Expenditure account	-	81	-	81
<b>At 30 September 2007</b>	<b>9,849</b>	<b>424</b>	<b>239</b>	<b>10,512</b>

**22 Units and bedspaces**

	<b>2007 Number</b>	<b>2006 Number</b>
<b>Under development at end of period</b>		
General needs units	75	76
Supporting housing units	-	16
Shared ownership units	113	209
	<u>188</u>	<u>301</u>
<b>Under management at end of year</b>		
General needs units	2,801	2,675
Supporting housing units	190	181
Shared ownership units	267	125
Leased units	36	40
Residential care homes	219	219
Leasehold properties	179	179
	<u>3,692</u>	<u>3,419</u>

The association also manages 208 units owned by Acton Housing Association, a member of the same Group.

**KELSEY HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007****23 Social Housing Grant**

	<b>Treated as capital grant £'000</b>	<b>Total £'000</b>
At 1 October 2006	125,291	125,291
Received in year	5,721	5,721
Disposals	(493)	(493)
<b>At 30 September 2007</b>	<b>130,519</b>	<b>130,519</b>

**24 Capital commitments**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>11,000</b>	23,000
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<b>40,000</b>	23,000
	<b>51,000</b>	46,000
<b>The Association expects to finance the above commitments by:</b>		
Proceeds from sales	<b>12,000</b>	22,000
Social Housing Grant receivable	<b>17,000</b>	11,000
Loans agreed but not drawn down	<b>22,000</b>	13,000
Loans to be arranged	-	-
	<b>51,000</b>	46,000

## KELSEY HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 2007

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#### 25 Commitments under operating leases

At 30 September 2007 the Association had annual commitments under non-cancellable operating leases as follows:

	2007 £'000	2006 £'000
<b>Operating leases which expire</b>		
Within one year	14	32
In two to five years	40	76
In more than five years	48	57
	<u>102</u>	<u>165</u>

#### 26 Transactions with group undertakings

The subsidiary undertaking of the Association is Kelsey Housing Services Limited, a dormant subsidiary which is registered under the Companies Act, 1985, registered number 402969.

The financial statements of the Association include a management fee payable to Acton Housing Association Limited a member of the same group of **£nil** (2006: £138,063).

#### 27 Pension obligations

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The scheme is funded and contracted out of the state scheme.

The Association also has three employees who participate in the Hampshire County Council Pension Scheme. The scheme is a defined benefit scheme based on final salary.

The pension charge to the Association for the year was **£176,634** (2006 18 months: £263,877), covering **60** employees (2006:61).

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

The last formal valuation of the scheme was at 30 September 2005 by a professionally qualified actuary using the 'projected unit credit' method. The market value of the scheme's assets at that date was £1,278 million. The valuation revealed a shortfall of assets compared to liabilities of £283 million.

The Association has subsequently been notified of the preliminary results of the triennial valuation carried out on 31 March 2007. This indicates an increase in the assets of the scheme to £1,515 million and an increase in the shortfall of assets compared with liabilities to £235 million. This valuation, and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers' members. The following notes relate to the formal valuation of September 2005.

## KELSEY HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 September 2007

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#### 27 Pension costs (continued)

The financial assumptions underlying the valuation were as follows:

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

The valuation revealed a shortfall of assets compared with the value of liabilities of some £283m (equivalent to a past service funding level of 82%).

The long term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed at:

Benefit structure	Long term contribution rate (% of pensionable salaries)
Final salaries with a 1/60 <sup>th</sup> accrual rate	17.6
Final salaries with a 1/70 <sup>th</sup> accrual rate	15.3
Career average revalued earnings with a 1/60 <sup>th</sup> accrual rate	14.1

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 set out in the table above.

With effect from 1 April 2007 the employer contribution was increased from 11.7% to 12.3% and 14.1% of pensionable salaries. Member contributions were increased from various rates between 4.1% and 6.1% to 6.2% and 7.9%.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed the assets there is a buy-out debt.

**27 Pension costs (continued)**

The leaving employer's share of the buy-out is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of the debt can therefore be volatile over time.

The Association participates in the Pensions Trust's Growth Plan.

The Growth Plan is a multi-employer pension plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The Plan is funded and is not contracted out of the state scheme. The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and/or investment credits. The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The Association offers the Growth Plan as an AVC investment option for members of the Social Housing Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Growth Plan.

**Hampshire County Council Pension Scheme**

In accordance with Financial Reporting Standard 17 'Retirement Benefits' disclosure of certain information concerning assets, liabilities, income and expenditure relating to the scheme is presented. On grounds of materiality no provision has been made in the financial statements for the pension liability at the 30 September 2007.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2004. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**27 Pension costs (continued)**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
Discount rate	<b>5.8</b>	5.0	4.9
Inflation rate	<b>3.4</b>	3.0	2.9
Rate of salary increases	<b>3.4</b>	4.5	4.4
Rate of pension increases	<b>3.4</b>	3.0	2.9

The asset values used as at the accounting date are set out below:

	<b>Long term rate of return</b>			<b>Estimated value</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>% per annum</b>			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	<b>7.8</b>	7.3	7.3	<b>118</b>	107	95
Properties	<b>6.8</b>	6.3	6.3	<b>9</b>	6	5
Government bonds	<b>4.8</b>	4.3	4.4	<b>36</b>	32	28
Corporate bonds	<b>5.8</b>	5.0	4.9	<b>4</b>	-	-
Other	<b>6.2</b>	4.6	4.5	<b>7</b>	9	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total market value of assets	<b>7.0</b>	6.5	6.5	<b>174</b>	154	133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Present value of scheme liabilities				<b>(228)</b>	(225)	(207)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit				<b>(54)</b>	(71)	(74)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Analysis of the amount that would be recognised in a statement of total recognised gains and losses**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	<b>5</b>	7	16
Experience gains and losses arising on the scheme liabilities	-	-	-
Changes in assumptions underlying the present value of the scheme liabilities	<b>15</b>	-	(27)
	<hr/>	<hr/>	<hr/>
Actuarial gain	<b>20</b>	7	(11)
	<hr/>	<hr/>	<hr/>

**KELSEY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2007**

**27 Pension obligations (continued)**

<b>Movement in deficit during the year</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at the beginning of the year	(71)	(74)	(59)
Movement in year:			
Contributions	7	6	7
Service cost	(8)	(8)	(9)
Other finance income	(2)	(2)	(2)
Actuarial gain/(loss)	20	7	(11)
	<hr/>	<hr/>	<hr/>
Deficit in scheme at the end of the year	<b>(54)</b>	<b>(71)</b>	<b>(74)</b>
	<hr/>	<hr/>	<hr/>

**History of experience gains and losses**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Difference between expected and actual return on scheme assets	5	7	16
Percentage of scheme assets	2.7%	4.4%	11.9%
Experience gains and losses on scheme liabilities	-	-	-
Percentage of the present value of the scheme liabilities	-	-	-
Change in assumptions	16	-	(27)
Percentage of present value of scheme liabilities	6.9 %	(0.1%)	(13.1%)
Total amount recognised in statement of total recognised gains and losses	20	-	(11)
Percentage of present value of scheme liabilities	8.9%	2.9%	5.5%
	<hr/>	<hr/>	<hr/>

**Analysis of the amount charged to operating surplus**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current service cost	8	8	9
Past service cost	-	-	-
	<hr/>	<hr/>	<hr/>
Total operating charge	<b>8</b>	<b>8</b>	<b>9</b>
	<hr/>	<hr/>	<hr/>

## KELSEY HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 September 2007

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#### 27 Pension costs (continued)

##### Analysis of the amount credited to other finance income

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	10	8	7
Interest on pension scheme liabilities	(12)	(10)	(9)
Net return	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>

#### 28 Parent company

The Association is a wholly owned subsidiary of Dominion Housing Group Limited, a Registered Social Landlord.

#### 29 Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is Registered Social Landlord registered with the Housing Corporation under the Housing Act 1996.

#### 30 Cash flow statement

The Association has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statement (revised 1996)' not to prepare a cash flow statement as it is included in the consolidated financial statements prepared by its ultimate parent.