

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

For the year ended 31 March 2009

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

For the year ended 31 March 2009

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WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT

For the year ended 31 March 2009

Registered and Head Office:	Barnsley Hall Barnsley Hall Road Bromsgrove Worcestershire B61 0TX
The Subsidiaries' Offices:	9 Little Park Street Coventry CV1 2UR 28 Pickford Street Digbeth Birmingham B5 5QH Apex 2 Apex Park Wainwright Road Worcester WR4 9FN 44 Berrington Street Hereford HR4 0BJ
Board of Management:	Mr R Griffiths (Chairman) Mr J K Knaggs (Vice Chairman) Mr B Akhtar (Appointed 9 th February 2009) Mr K Beck (Nexus nominee) Mr J Brooks-Ward (Appointed 9 th February 2009) Mr P England (Kemble nominee) (Appointed 23 rd March 2009) Mr D J Harries Mr A Johnson (Kemble nominee) Miss P M Kirby MBE JP Mr J Knipe (Kemble nominee) (Resigned 16 th March 2009) Mr P Lacy (Whitefriars nominee) (Appointed 1 st December 2008) Mr G Myatt (Nexus nominee) Mr R Rawson (Whitefriars nominee) (Appointed 1 st December 2008) Ms H Southwell (Harden nominee) (Appointed 19 th May 2008) Cllr Mrs J Squires (Appointed 19 th May 2008) Dr P D Taylor (Harden nominee)

Tenant Services Authority Registration Number: L4185
Industrial and Provident Societies Act Registration Number: 28654R
Member of the National Housing Federation

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

GROUP EXECUTIVE OFFICERS AND ADVISORS

For the year ended 31 March 2009

Group Executive Officers:

Group Officers:

Howard Farrand – Group Chief Executive
Pat Brandum – Deputy Chief Executive
Angus Groom – Executive Director Integration/Communications
Jason MacGilp – Executive Director Development/Regeneration
David Maitland – Executive Director of Finance
Richard Monk – Executive Director Whitefriars Housing
Kevin Rodgers – Executive Director Finance & Resources
Judy Ryder – Executive Director Organisational Development
Denise Shuker – Executive Director West Mercia Housing

Group Auditors:

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Group Internal Auditors:

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Group Bankers:

Barclays Bank Plc
Colmore Row Business Centre
15 Colmore Row
Birmingham
B3 2BY

Group Legal Advisors:

Anthony Collins LLP
St Philip's Gate
5 Waterloo Street
Birmingham
B2 5PG

Coley & Tilley
Neville House
Waterloo Street
Birmingham
B2 5JF

Devonshires Solicitors
Salisbury House
London Wall
London
EC2M 5QY

Harrison Clark LLP
5 Deansway
Worcester
WR1 2JG

Harris Cooper Walsh LLP
378 Stratford Road
Shirley, Solihull
West Midlands
B90 4AQ

Needham & James LLP
Needham & James House
Bridgeway
Stratford Upon Avon
CV37 6YY

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

GROUP EXECUTIVE OFFICERS AND ADVISORS

**For the year ended 31 March 2009
(Continued)**

Group Legal Advisors:	Newsome Vaughan LLP Greyfriars House Greyfriars Lane Coventry CV1 2GW	Pinsent Masons LLP 3 Colmore Circus Birmingham B4 6BH
	Reynolds & Co Churchill House Hagley Street Halesowen West Midlands B63 3AX	Shoosmiths 7 th Floor 125 Colmore Row Birmingham B3 3SH
Private Sector Lenders:	Barclays Bank Plc Colmore Row Business Centre 15 Colmore Row Birmingham B3 2BY	Bank of Scotland Plc City House City Road Chester CH99 3AN
	Britannia Building Society Britannia House 10 Town Road Hanley Stoke on Trent ST1 2QQ	Co-operative Bank Plc South Wales Business Centre PO Box 75 37 The Hayes Cardiff CF1 1SW
	Dexia UK Ltd 2 nd Floor Shackleton House 4 Battle Bridge Lane London SE1 2RB	Leeds Building Society 105 Albion Street Leeds LS1 5AS
	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW	Newcastle Building Society Portland House New Bridge Street Newcastle-upon-Tyne NE1 8AL
	Orchardbrook Ltd c/o Crown Mortgage Management Ltd Crown House Crown Street Ipswich Suffolk IP1 3HS	The Housing Finance Corporation Ltd 107 Cannon Street London EC4N 5AF
	The Royal Bank of Scotland 5 th Floor 135 Bishopgate London EC2M 3UR	

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009

Business, Objectives and Strategy

Constitution and Make Up

The Group comprises:

	Tenant Services Authority Registration Number	Industrial Provident Society Number	Charitable Status
Group Parent			
West Mercia Housing Group Limited	L4185	28654R	Non-charitable
Partner Associations			
Harden Housing Association (Midlands) (2005) Limited	L4444	29929R	Charitable
Kemble Housing Limited	L4445	29939R	Charitable
Nexus (Midlands) Housing Association (2005) Limited	L4446	29931R	Charitable
Partner and Asset Owning Association			
Whitefriars Housing Group Limited	LH4471	30092R	Charitable
Asset Owning Association			
West Mercia Homes Limited	L0523	18574R	Charitable
Other organisations			
Whitefriars Business Services Limited		5311059	
Dormant Companies			
Whitefriars (North Solihull) Limited		5402382	
Spectrum Development Partnership Limited		6197690	
Harden Homes Limited		2411344	

Constitutional arrangements within the Group are recorded in an Intragroup Agreement and an Intragroup Service Level Agreement and are supported by the Partner Associations nominating the majority of the Board of both West Mercia Housing Group and West Mercia Homes.

The scale of the Group increased significantly when Whitefriars Housing Group and its subsidiary companies joined on the 7th November 2008.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Group Objectives

The Group's vision is creating places where people are proud to live and work which is supported by its four key values of:

- Providing excellent service
- Valuing people
- Acting with integrity
- Delivering creative solutions

Areas of Operation

The Group operates across the counties of Herefordshire and Worcestershire, the West Midlands conurbation and the City of Coventry, providing high quality affordable homes for people in housing need and a caring and responsive housing service. The majority of its properties are for general needs housing, but it also owns a small portfolio of older person accommodation, learning difficulties care homes, supported housing (some in conjunction with specialist providers of support services) and foyers together with related outreach services aimed at young people in Herefordshire, funded through Supporting People.

The Group is heavily involved in the regeneration of the North East area of Coventry and in North Solihull and maintains close links with the communities it serves, including providing training to young people through both the use of modern apprenticeships and a Training Agency based in Torrington in Coventry.

The Group is a large regional organisation, with a national reputation, and is one of a small number of Housing Corporation Development Partners in the West Midlands, with the second largest allocation from the main regional National Affordable Housing Programme 2008-11.

It is a key member of the Spectrum Development Partnership which works to utilise its strength in diversity to be able to deliver the provision of affordable housing across the whole West Midlands region.

Performance

Key performance measures utilised by the Board to assess the performance of the business are:

	2005	2006	2007	Restated 2008	2009
	£'000	£'000	£'000	£'000	£'000
Turnover	17,805	18,871	17,833	25,017	52,538
Operating Surplus	4,908	4,878	5,520	6,489	10,573
Surplus for the Year	3,029	2,317	2,387	2,615	738
Cost of Housing Properties	205,911	230,737	245,883	279,197	693,666
SHG & other grants	111,286	121,296	131,860	139,162	159,699
Total Reserves	34,339	36,599	38,917	44,432	52,023
Total Borrowings	55,693	79,137	84,063	107,841	324,561
	%	%	%	%	%
West Mercia Homes - Gearing	38.24	50.30	49.45	58.68	62.11
West Mercia Homes - Interest Cover (excluding depreciation)	243	197	182	164	162
Whitefriars – Net debt per unit £'s	10,882	11,668	12,132	12,213	12,152
Whitefriars – Net operating cashflow £'000	182	162	167	214	216
Arrears	4.72	5.62	4.23	3.98	3.97
Void Losses	0.96	1.07	0.83	0.61	1.67
Bad & Doubtful Debts	0.61	0.94	(0.34)	0.34	1.05

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Performance (continued)

	2005 Number	2006 Number	2007 Number	Restated 2008 Number	2009 Number
No of properties owned	4,633	4,816	5,084	5,277	22,379
No of properties void and vacant	23	24	32	31	433
No of properties failing decent homes standard	47	3	16	13	890
Average general needs weekly rent	£54.80	£58.65	£60.84	£63.65	£63.44

The 2008 figures have been restated to take account of changes to the treatment of shared ownership properties as required by the 2008 Statement of Recommended Practice which was implemented during the 2009 financial year.

The key performance indicators show the significant change in the scale of operations of the Group following the integration of Whitefriars Housing Group on the 7th November, with full details of the changes shown in note 19 on page 46 of the financial statements.

The main changes are the inclusion of £368m of housing properties on an existing use – social housing basis, based on a valuation undertaken by Savills, financed by £203m of loan from a syndicate headed by Nationwide and the Royal Bank of Scotland, £19m due to the West Midlands Metropolitan Authorities Pension Scheme and £142m of “negative goodwill”. As most of the “negative goodwill” arises from the value of housing properties, it is being amortised to the income and expenditure account based on the estimated remaining lives of these properties.

Turnover has increased mainly as a result of the part year effect of including the rental income on the properties owned by Whitefriars Housing Group, from 7th November 2008, together with the effect of other properties being brought into management, rental income being increased towards target rent levels and additional amounts recovered from residents and other organisations for the estate services provided.

Turnover has also been increased by the inclusion of £6.6m of first tranche shared ownership and £0.4m of shared equity sales following the adoption of the Statement of Recommended Practice 2008.

Operating costs have increased as a result of the inclusion of the costs incurred by Whitefriars Housing Group since the 7th November and from the cost of sales of the shared ownership and shared equity properties which are now included in turnover.

As the integration of Whitefriars into the Group was achieved on the 7th November 2008 by it becoming a subsidiary of the Group Parent, with no changes in the funding structures of either Whitefriars or West Mercia Homes, the monitoring of loan covenants and performance is mainly performed at that level. At this level current residents’ arrears have been held reasonably static during the year, with an increase in the amounts provided against former resident’s balances as the results of the impact of the economic recession, but with a slight improvement in performance on void losses.

Both borrowing Associations are well within current loan covenants and have 30 year financial forecasts to support their longer term compliance, but with only a limited availability of loan finance to support future investment, until the financial markets return to a more sustainable position.

West Mercia Homes’ gearing is increasing as it invests further amounts in both it’s existing properties and new housing provision, with sufficient capacity within its current loan covenants to be able to absorb all current commitments.

The numbers of properties which are void or vacant and those which fail to achieve the decent homes standard have been increased by the inclusion of Whitefriars, and especially properties within the estates in North East Coventry where the expected re-generation has been slower to start than was originally envisaged, when the planned improvement programme was established.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Performance (continued)

The Group is regulated by the Tenant Services Authority, with whom it is registered. They review the Group annually against their Regulatory Code, with assessments against four key criteria, Governance, Viability, Management and Development and they use a traffic light system to demonstrate compliance. They have again awarded the Group four green lights, a position which has been maintained since the introduction of this approach to regulation; however their latest Regulatory Judgement recognises increased risks to financial viability arising from the level of development activity and the changes in the housing market affecting the values of some properties.

The Group is also a key investment partner of the Homes and Communities Agency and at both a Group level and on behalf of the Spectrum Development Consortium it has achieved the targets set in relation to the number of properties started and completed and the amount of grant utilised.

The Group is also subject to inspection by the Audit Commission, who assesses front line delivery to customers and the extent of which they think that this will improve. The latest reports on both the West Mercia Housing Group and Whitefriars Housing Group were issued in 2005 and assessed both organisations as providing a “good” “two star” service which had “promising” prospects for improvement.

Following the completion of the action plan, the Group volunteered to be a pilot for the new Short Notice Inspection regime, with three of the weakest areas reviewed in April 2008. Even in this limited review, the Group was assessed as providing a fair service with promising prospects for improvement.

Dynamics of the Social Landlord

The Group has a Risk Management Framework in place supported by 30 year financial projections which are utilised to assess the impact of future plans and to test the sensitivity to changes in key assumptions. The following table summarises the key risks and the actions being taken to mitigate those risks.

KEY RISK	STATUS/ACTION TAKEN
<p>1. Growth Reduction in the level of available grant to support new housing provision.</p> <p>The impact of the ‘credit crunch’ on the ability to be able to finance new development opportunities.</p>	<p>The Board and Executive Management Team regularly review performance against Homes and Community Agency Targets.</p> <p>Future developments in the grant funding regime are regularly monitored and reported as appropriate.</p> <p>The Group continues to strengthen its relationships with the other members of the Spectrum Development Consortium, and is working with them and other local associations to reduce the capital costs of new developments through the use of a number of framework agreements with contractors and consultants.</p> <p>Relationships are being built or maintained with a wide range of organisations able to provide or support grant funded and other forms of social housing.</p> <p>The Group regularly monitors its short and medium term funding requirements, and ensures adequate secured facilities are in place with its funders to cover both planned expenditure and any additional requirements arising from delays in sales income or receipts of grant, together with funding to meet its growth targets. Future growth may be constrained if future funding is more expensive for the Group.</p>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31 March 2009
(continued)**

Dynamics of the Social Landlord (continued)

KEY RISK	STATUS/ACTION TAKEN
<p>1. Growth (continued) The effect of corrections in the housing market.</p>	<p>The Group monitors sales performance on a weekly basis, and takes action where there are indicators that prices or affordability are issues for potential purchasers. A number of properties have been switched to letting on an affordable or intermediate market rent basis where sales values have reduced or potential purchasers are having difficulty in securing mortgages, some on a permanent basis. The balance of the future development programme has also swung back towards a higher proportion of properties for rent.</p>
<p>2. Governance and Compliance There is a risk of non-compliance by the Group with the principles of good governance, the governance and internal controls framework or with regulatory requirements and expectations, which affect the Group's effectiveness, reputation or relationships.</p>	<p>Regular reports are considered by the Board on legal and regulatory compliance. The Group Audit and Risk Management Committee receive reports regularly directly from both Internal and External Auditors, as well as from other advisors who undertake one off assignments.</p> <p>Under the terms of the Intragroup Agreement the Partner Association Boards undertake detailed reviews of operational areas of performance.</p> <p>Following the enlargement of the Group, a full review of governance arrangements is being undertaken before a final governance structure is put in place based on the regulatory guidance from the Tenant Services Authority and advice from external consultants.</p> <p>Vacancies on Boards and Committees are filled based on an analysis of gaps in skills, experience and composition and training is provided to all members so that they are able to strengthen further the good governance which is enjoyed across the Group.</p>
<p>3. Rental Income There is a risk that rental income may reduce in 2010/11 if RPI is negative in September 2009.</p>	<p>The Group is closely monitoring the affordability of its rents, and will look in 2009/10 to try to assist residents in meeting their liabilities, including ensuring appropriate benefit and financial advice is made available as far as possible.</p> <p>Discussions have already been started with managers and staff on how to control costs in 2010/11 so that the current level of service and standard of properties can be maintained, even if income levels are reduced.</p>
<p>4. Regeneration Projects The Group is involved in the New Deal for Communities (NDC) Master plan for North East Coventry which covers three estates owned by Whitefriars Housing Group. This regeneration project involves the clearance of 2,000 properties and the development of a 'mixed' community over a 10-15 year period. The key risks include:</p>	<p>External funding bids are underway with the Homes and Communities Agency (HCA) and Advantage West Midlands (AWM), to ensure the first tranche of properties can be delivered, including the offer of a 'safety net' scheme to developers to purchase up to the first 113 unsold units, then the ongoing viability assessments for each subsequent tranche, to ensure our properties are provided in accordance with the original Master Development Agreement requirements.</p> <p>Scheme identified as highest Regional Priority and first stage HCA approvals obtained. Required quality standard adjusted and included in financial assumptions.</p>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009

(continued)

Dynamics of the Social Landlord (continued)

KEY RISK	STATUS/ACTION TAKEN
<ul style="list-style-type: none"> • Newly developed properties for sale not meeting their sales targets preventing private developers giving Whitefriars 1,000 new build rental units which are required to make the project financially viable from the Group's context. • Failure to secure kick start funding to allow the pre-requisite increase in quality standards. • Failure to reach agreement with key partners on the revised strategy for the first phase of the scheme • A further decline in the housing market or a prolonged delay in the speed of recovery. <p>In addition the Group is a partner in the regeneration of North Solihull, where similar issues could affect the provision of new housing accommodation.</p>	<p>'Honest broker' appointed via Grant Thornton and key commercial principles agreed in a draft Heads of Terms document.</p> <p>April 2010 start enables scheme to capitalise on potential upturn whilst strategy in place to tackle worst case scenario of unsold homes. Whitefriars' decent homes investment protects later sub-phases in the event of delays.</p>
<p>5. Tight Business Plan with limited flexibility</p> <p>The likely reduction in the level of rental income in 2010/11 together with the limited availability of finance for new development opportunities has meant that changes have been required to business plan assumptions.</p>	<p>All the wider management team and staff groups understand the main elements of the Group's business plan and its challenges and are working to bring forward initiatives which will reduce costs.</p> <p>The Group is a member of a number of benchmarking clubs where details of cost and performance are shared, which should allow the efficiency of the Group's operations to be increased.</p> <p>Monthly and quarterly reviews of budgets and performance are undertaken to ensure the Group's performance is in accordance with its business plan assumptions and lenders covenants are fully complied with.</p> <p>Information is provided to lenders on a quarterly basis and regular meetings are held to update them on financial and business performance.</p>
<p>6. Housing Benefit</p> <p>Over 60% of the Group's customers rely on housing benefit to assist with their payment of rent. Consequently any changes to the administration or arrangement for its payment can have a high impact on the Group.</p>	<p>The Group continues to monitor Government thinking on Local Housing Allowances (LHA).</p> <p>The Group continues to work with its main local authority partners, especially in relation to this area.</p> <p>In addition the Group is committed to financial inclusion in its approach to income management and is working with a number of specialist debt and benefit advice agencies to ensure residents are properly informed.</p>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31 March 2009
(continued)**

Dynamics of the Social Landlord (continued)

KEY RISK	STATUS/ACTION TAKEN
6. Housing Benefit (continued) Whilst changes to the payment of housing benefit direct to residents in the social housing sector (LHA) is still on the Government agenda, indications have been given that this is no longer a high priority.	
7. Supporting People and Care Supporting People income is reduced to levels below which it is economic to provide support services.	Supporting People contract information and performance is regularly reviewed and reported to Boards. A designated reserve is maintained to support the SHYPP activities.

The Board accepts its responsibilities for risk management and for compliance with Circular 07/07 "Internal Controls Assurance" published by the Housing Corporation in July 2007.

The existing standards of risk management and internal control have continued to operate at Group level and for the existing members of the West Mercia Housing Group. These have been regularly reviewed and updated, during the year and the process is on going until a new framework can be established following the enlargement of the Group to incorporate Whitefriars. Throughout the period of these financial statements, the Board considers that, in all material respects, its systems satisfied the requirements of internal controls assurance.

Investment for the Future

The Group has continued to invest in both its existing housing properties and additional accommodation with the support of Social Housing Grant from the Homes and Communities Agency.

Whitefriars Housing Group has continued its investment programme, towards the decent homes target, with an improvements programme for kitchens and bathrooms, re-roofing works, central heating upgrades and the refurbishment of two of its high rise blocks.

West Mercia Homes has continued its five year investment programme to improve its existing properties to a level well above the decent homes standard with the main emphasis this year on work on heating and electrical upgrades, kitchen and bathroom replacements and works to the roads and lighting at the Credenhill scheme.

The review of sheltered housing properties has now been rolled out across the Group and discussions continue with the Worcestershire Supporting People Commissioning Authorities about the most appropriate way to deliver support services to residents, as well as considering options to increase the desirability of the properties.

Four schemes were acquired from English Churches Housing Group during the year, comprising a total of 81 properties, with a significant initial investment included in the scheme appraisals to get them up to the Group's usual standards.

The responsive maintenance contact centre based in Worcester has been expanded in size so that it is now able to provide a service to the residents from across the enlarged Group, with quality enhancements and additional hours provided from April 2009.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Funding Review

During the year, the level of borrowings increased by £203m following the integration of Whitefriars Housing Group and borrowings by West Mercia Homes increased by almost £14m, as funds were required for the new build development programme, the purchase of properties from English Churches Housing Group, the conversion of properties from homebuy to intermediate market rent and for further improvements to existing properties.

From a treasury management perspective it has been a complex year, with the requirement to obtain lender approval for the integration with Whitefriars Housing Group, large fluctuations in LIBOR rates and restrictions on the availability of funds to both Housing Associations and our potential leaseholders. In addition there has been a further reduction in the number of lenders to the sector and therefore less competition together with significant increases in the margins on new funds and with a number of instances in the sector where changes in circumstances have led to the re-pricing of existing facilities.

Due to the issues in the financial markets there has been no pooling of loans or assets between Whitefriars Housing Group and West Mercia Homes, with Whitefriars having available facilities of £37m and West Mercia Homes arranging new loans with Barclays Bank (£25m) and the Royal Bank of Scotland (£20m) leaving it with un-drawn facilities totaling £39m at the end of the financial year.

Whitefriars Housing Group's borrowings are predominantly on fixed interest rates and West Mercia Homes took the opportunity to fix some interest rates during the year, which gave the following position as at 31st March.

	2009	2009	2008	2008
	£'000	%	£'000	%
Variable Rate	56,883	17	54,144	50
Fixed Rate				
1 – 5 years	14,870	5	-	-
5 – 15 years	90,500	28	7,500	7
Over 15 years	162,308	50	46,197	43
	<u>324,561</u>	100	<u>107,841</u>	100

In addition a further £5m was fixed on a cancellable basis in April 2009 and forward rate agreements are in place to fix two further tranches of £5m one in May and one in November 2009.

The limited availability of new funding is constraining the opportunities which can be taken for investment in new housing provision.

Executive Management Team

The executive directors served throughout the year. Details of the current executive management team are set out on page 2.

Board's responsibilities for the Financial Statements

Housing legislation requires the Board to prepare the Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and the Association as at the end of the financial year and the income and expenditure of the Group and Association for the year ended on that date.

In preparing those Financial Statements, suitable accounting policies have been used, framed, to the best of the Board's knowledge and belief, by reference to reasonable and prudent judgements and estimates and applied consistently. Applicable accounting standards have been followed. The Board is also required to indicate where Financial Statements are prepared other than on the basis that the Group is a going concern.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Board's responsibilities for the Financial Statements (continued)

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Group's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Group's books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of control that is appropriate to the various business environments in which it operates. Any such system can provide reasonable but not absolute assurance against material misstatements or loss and the development of the system is a continuing process. The system of control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group'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 Group is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular 07/07: Internal Controls Assurance. The risk assessments are updated at least annually and reported to the Group Audit and Risk Management Committee.

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:

- Environment and control procedures

The Group Board and its Committees retain responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy, risk management and development projects. Policies and procedures cover issues such as delegated authority, the segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

- Appropriately qualified staff

Experienced and suitably qualified staff are allocated responsibility for important business functions. Job and person specifications are appropriate and specific and annual appraisal procedures are well established ensuring the maintenance of standards of performance and the training and development of staff.

- 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 the Group's activities. The Executive Management Team and Group Audit and Risk Management Committee regularly considers and receives reports on significant risks facing the Group and the Group Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Internal controls assurance (continued)

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead, detailed management information produced monthly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the Executive Directors and are considered 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.

- Monitoring and corrective action

A process of regular management reporting on control issues provides assurance to executive officers and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the Financial Statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Executive Management Team and report to the Group Audit and Risk Management Committee.

The Group Audit and Risk Management Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. The Group Audit and Risk Management Committee make an annual report to the Board. The Board has received and considered this report.

Every incident recorded on the fraud register is reported in detail to the Group Audit and Risk Management Committee and these incidents are summarised in the report to the Board on internal controls which is presented each year. During 2008/09 and up to the date of signing the accounts, there have only been two incidents totalling (£510) recorded in the fraud register.

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

Related party transactions

Mr K Beck is both a tenant and member of the Board of Management of the Group, West Mercia Homes and a Partner Association. Miss D Sullivan, Mrs R Williams, Mrs J Allen, Mrs J Ashley, Ms M McCall, Mrs M Gale, Ms C Reid, Mr J Cotterill and Mr B Newey are tenants and members of the Board of Management of a Partner Association. Their tenancies are on the Group's normal tenancy terms, and they cannot use their positions to their advantage. Mr R Seed is a lessee in a leasehold property where a Partner Association is the management agent; no advantage could be gained from his position.

Directors' and Officers' Liability Insurance

Directors and officers have been insured throughout the period to indemnify the Group against liability of the officers when acting for the Group.

Corporate Governance

The Boards are satisfied that they comply with the National Housing Federation Code of Governance issued in January 2000 in all material respects.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2009
(continued)

Board Member Movements

As at 31 March 2009 there were 15 members of the Board of Management of the Parent Association.

Employees

The strength of the Group lies in the quality and commitment of its employees. Our ability to meet our business objectives and commitments to residents in an efficient manner depends on the contribution of employees throughout the Group. We are committed to equal opportunities for all employees and do not discriminate on the grounds of ability or impairment, age, gender, sexuality, race or religious beliefs. The Group demonstrates its commitment to equality and diversity in all aspects of employment, including recruitment, career development, training, promotion and welfare.

The Group's training strategy defines and promotes the philosophy and practice of continuous development of all staff, aligned to the delivery of defined business objectives, through access to quality driven training and development. This enables staff to make the best possible contribution to the objectives of the Group whilst achieving their own potential at work.

The Group's pay strategy ensures that employees are adequately rewarded, within the context of the market place, with awards based on a combination of individual job specific targets and corporate competencies.

Statement as to disclosure of information to Auditors

The Board members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that they have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Going Concern

After making enquiries the Board has a reasonable expectation that all the Associations in the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the financial statements.

Auditors

At the annual general meeting members will be asked to delegate a decision on the appointment of external auditors, following the integration of Whitefriars into the Group, to the Group Audit and Risk Management Committee.

The report of the Board of Management was approved on 16th September 2009 and signed on its behalf by:

Name: Mr R Griffiths
Title: Chairman
Date 16th September 2009

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MERCIA HOUSING GROUP LIMITED

For the year ended 31 March 2009

We have audited the financial statements which comprise the Income and Expenditure Account, the Statement of Recognised Surpluses and Deficits, Consolidated Balance Sheet, Association Balance Sheet, Cash Flow Statement and related notes.

This report is made solely to West Mercia Housing Group Limited's members as a body, in accordance with the relevant legislation. Our audit work has been undertaken so that we might state to West Mercia Housing Group Limited's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Mercia Housing Group Limited and West Mercia Housing Group Limited's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

The 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) issued by the Auditing Practices Board.

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, a satisfactory system of control over transactions has not been maintained, if West Mercia Housing Group 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board in the preparation of the financial statements, and of whether the accounting policies are appropriate to West Mercia Housing Group Limited'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 West Mercia Housing Group Limited and the Group's affairs as at 31 March 2009 and of the Group's surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

16th September 2009

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

GROUP	Note	2009 £'000	2009 £'000	Restated 2008 £'000
Turnover	2			
Continuing operations		26,802		25,017
Acquisitions		25,736		-
		<hr/>	52,538	<hr/> 25,017
Operating costs	2		(41,965)	(18,528)
Operating surplus				
Continuing operations		6,796		
Acquisitions		3,777		
		<hr/>	10,573	6,489
Profit on sale of fixed assets	3		168	379
Pension finance costs			(216)	-
Interest receivable and other income	6		361	666
Interest payable and similar charges	6		(10,148)	(4,919)
Surplus on ordinary activities before taxation for the year	8		<hr/> 738	<hr/> 2,615
Tax on surplus on ordinary activities	7		(46)	-
Surplus on ordinary activities after taxation for the year	21		<hr/> 692	<hr/> 2,615
			<hr/> <hr/>	<hr/> <hr/>
ASSOCIATION			2009 £'000	2008 £'000
Turnover	2 (v)		6,056	3,083
Operating costs	2 (v)		(5,789)	(3,083)
			<hr/>	<hr/>
Operating surplus			267	-
Gift Aid	7		(180)	-
Surplus on ordinary activities before taxation for the year			<hr/> 87	<hr/> -
Tax on surplus on ordinary activities	7		(46)	-
Surplus on ordinary activities after taxation for the year			<hr/> 41	<hr/> -
			<hr/> <hr/>	<hr/> <hr/>

The results for the Group and Association related wholly to continuing activities.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2009

		Group		Association	
	Note	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Surplus for the financial year		692	2,615	41	-
Actuarial gain relating to pension scheme	17	6,027	-	-	-
Unrealised gain arising from exchange of properties		911	-	-	-
Total recognised surpluses and deficits for the year		<u>7,630</u>	<u>2,615</u>	<u>41</u>	<u>-</u>
Prior year adjustment	22	2,992			
Total recognised surpluses and deficits for the year		<u><u>10,622</u></u>			

The notes on pages 21 to 51 form part of the Financial Statements.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

At 31 March 2009

		Group 2009	£'000	£'000	Restated Group 2008	£'000
	Note		£'000	£'000	£'000	£'000
Fixed assets						
Housing properties – depreciated cost	9		682,249		272,037	
Less: Social Housing Grant	9		(152,087)		(136,639)	
Other Public Grants	9		<u>(7,612)</u>		<u>(2,523)</u>	
				522,550		132,875
Other fixed assets	10			6,291		1,935
Homebuy loan	11		3,881		3,004	
Homebuy grant	11		<u>(3,869)</u>		<u>(2,992)</u>	
				12		12
				<u>528,853</u>		<u>134,822</u>
Current assets						
Properties held for sale			4,121		10,624	
Debtors	13		5,687		2,179	
Short term investments	14		2,000		-	
Cash at bank and in hand			<u>11,207</u>		<u>10,349</u>	
			23,015		23,152	
Creditors: amounts falling due within one year	15		<u>(17,675)</u>		<u>(5,997)</u>	
Net current assets				5,340		17,155
Total assets less current liabilities				<u>534,193</u>		<u>151,977</u>
Creditors: amounts falling due after more than one year						
Housing loan	16		322,895		106,271	
Other creditors	16		762		436	
Recycled capital grant fund	16		290		534	
Disposal proceeds fund	16		<u>2,928</u>		<u>304</u>	
				326,875		107,545
Pension liability	17			14,296		-
Capital and reserves						
Negative goodwill	18			140,999		-
Non equity share capital	20		-		-	
Designated reserves	21		1,339		358	
Restricted reserves	21		4		4	
Revenue reserves	21		<u>50,680</u>		<u>44,070</u>	
				52,023		44,432
				<u>534,193</u>		<u>151,977</u>

The financial statements on pages 16 to 51 were approved by the Board and authorised for issue on 16th September 2009 and signed on its behalf by:

Mr R Griffiths - Chairman

Mr J K Knaggs - Vice Chairman

Mr D G Maitland – Executive Finance Director and Company Secretary

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

ASSOCIATION BALANCE SHEET

At 31 March 2009

	Note	Association 2009		Association 2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Other fixed assets	10		242		255
Current assets					
Investments	26	-		-	
Debtors	13	2,527		98	
Cash at bank and in hand		58		15	
		<hr/>		<hr/>	
		2,585		113	
Creditors: amounts falling due within one year	15	(2,786)		(368)	
Net current liabilities			<hr/>		<hr/>
			(201)		(255)
Total assets less current liabilities			<hr/>		<hr/>
			41		-
Creditors: amounts falling due after more than one year	16		<hr/>		<hr/>
			-		-
Capital and reserves					
Non equity share capital	20	-		-	
Revenue reserves	21	41		-	
		<hr/>		<hr/>	
			-		-
			<hr/>		<hr/>
			41		-
			<hr/>		<hr/>

The financial statements on pages 16 to 51 were approved by the Board and authorised for issue on 16th September 2009 and signed on its behalf by:

Mr R Griffiths - Chairman

Mr J K Knaggs - Vice Chairman

Mr D G Maitland – Executive Finance Director and Company Secretary

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	Group 2009 £'000	£'000	Restated Group 2008 £'000	£'000
Net cash inflow from operating activities	24(a)		21,517		7,951
Returns on investments and servicing of finance					
Interest received		361		666	
Interest paid		(11,165)		(6,218)	
Net cash outflow from returns on investments and servicing of finance			(10,804)		(5,552)
Taxation					
Corporation tax paid			-		-
Capital expenditure					
Purchase of housing properties		(44,596)		(48,902)	
Sales of housing properties		3,034		9,095	
Social Housing Grant received		14,289		8,361	
Purchase of other fixed assets		(525)		(215)	
Homebuy loans made		(877)		(1,730)	
Homebuy grants received		644		1,638	
Net cash outflow from investing activities			(28,031)		(31,753)
Acquisition					
Purchase of Whitefriars Housing Group		-		-	
Net cash acquired with Whitefriars		3,052		-	
Net cash inflow from the acquisition			3,052		-
Net cash outflow before use of liquid resources and financing			(14,266)		(29,354)
Management of liquid resources					
Bank deposit withdrawn			1,500		-
Financing					
Housing loans received		14,185		24,083	
Housing loans repaid		(561)		(1,033)	
Net cash inflow from financing			13,624		23,050
Increase/(Decrease) in cash and cash equivalents	24(b)		858		(6,304)

The notes on pages 21 to 51 form part of the Financial Statements.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(a) Legislative provision

The Associations within the Group are all registered under the Industrial and Provident Societies Acts 1965 to 2002 and are registered with the Tenant Services Authority as Registered Social Landlords as defined by the Housing Act 1996.

The Association subsidiaries are all registered on charitable rules whereas the parent is registered as non-charitable. The other Group organisations are all registered as non-charitable limited companies.

(b) Basis of accounting

The financial statements have previously been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP) 2005. The updated SORP has resulted in a change in accounting policy and a prior year adjustment has been made to restate the 2008 financial statements. The impact on the prior year adjustment is explained in note 22.

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP), update issued in 2008 and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006.

The financial statements of the West Mercia Housing Group are the result of the consolidation of the financial statements of the Association and its trading subsidiaries, West Mercia Homes Limited, Harden Housing Association (Midlands) (2005) Limited, Nexus (Midlands) Housing Association (2005) Limited, Kemble Housing Limited and Whitefriars Housing Group Limited.

Whitefriars Housing Group joined the Group on the 7th November 2008 and is consolidated by the acquisition method of accounting.

(c) Turnover

Turnover represents rents and service charges receivable, sale proceeds, revenue grants from the Housing Corporation and other public bodies and fees receivable for the development and management of properties for third parties. All income is recognised on a receivable basis.

(d) Supported housing managed by agencies

Social Housing Grants (SHG) for capital expenditure are claimed and incorporated within the balance sheet in line with ownership. The treatment of revenue income and expenditure in respect of supported housing projects depends solely on the agreements with the managing agents and on whether the Group carried the financial risk.

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of 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 includes only that income and expenditure which relates solely to the Group. Other income and expenditure of projects in this category is excluded from the Group's Income and Expenditure Account.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

1 Accounting policies (continued)

(e) Management costs

Management costs are allocated to revenue accounts on the basis of staff time allocated, except for specific items of expenditure, which are allocated directly.

(f) Cyclical repairs and maintenance

Due to the number of homes held and the establishment of regular programmes of repair and maintenance, the Associations do not make any provision for future works but charge actual costs incurred to the Income and Expenditure Account.

(g) Tangible fixed assets

(i) Housing properties – Cost

Homes owned by the Associations within the Group are stated at cost, (including fair value in respect of the properties included following the integration of Whitefriars Housing Group) rather than value. The development cost of homes includes the following:

- i) Costs of acquiring land and buildings;
- ii) Professional fees;
- iii) Related development staff salaries and corresponding direct overheads;
- iv) Provision for the value of the work completed but not paid for at the year end;
- lv) Interest costs on the net capital employed until the date of its practical completion;
- vi) Cost of major repairs capitalised

(ii) Shared ownership properties – Cost

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value – Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

(iii) Housing properties – Depreciation

The SORP requires that registered social landlords depreciate the cost of properties, net of Social Housing Grant and freehold land. This should be on a systematic basis that reflects as far as possible the pattern in which the balance sheet value of the properties is consumed over their useful economic lives. Accordingly, the Board of Management considers that the useful economic lives of the properties are as follows:

Newly constructed properties	100 Years from the date of practical completion
Refurbished properties	50 Years from the date of purchase
Leasehold properties	Over the remaining life of the lease

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

1 Accounting policies (continued)

(g) Tangible fixed assets (continued)

(iv) Social Housing Grant (SHG) and other grants

Grants for capital expenditure are deducted from the cost of the fixed asset to which they relate, as they become receivable.

Under certain circumstances SHG is repayable within three years if not reinvested in accordance with Housing Corporation procedures (see note 16).

Other public grants are repayable on the sale of the properties to which they relate.

Revenue grants are credited to the Income and Expenditure Account as they become receivable.

(v) Impairment

The Group reviews its properties for impairment on an annual basis. Any permanent diminution in the carrying value of such properties is charged to the Income and Expenditure Account. As noted in the shared ownership accounting policy (see note 1 (g) (ii)) if first tranche sales surpluses on a scheme are greater than the overall surplus for the scheme, the surpluses have been restricted to the overall surplus by reducing the carrying value of the fixed asset element and increasing the operating cost (via transfer through current assets). Any first tranche element of shared ownership in current assets that are transferred to fixed assets are transferred at the lower of cost and net realisable value.

(vi) Other tangible fixed assets

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation.

Depreciation is charged over the expected useful life of the asset, at the following annual rates:

Computer equipment and systems	33% on cost
Office fixtures and fittings	15% on written down value
Photocopiers	20% on cost
Leasehold office improvements	Over the remaining life of the lease

Depreciation of offices is calculated in compliance with the SORP (see note 1(g)(iii)). The Board of Management has determined that the useful economic lives are as follows:

Newly constructed offices	75 Years from the date of practical completion
Refurbished offices	50 Years from the date of purchase

(vii) Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the Income and Expenditure Account on a straight line basis over the lease term.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

(continued)

1 Accounting policies (continued)

(h) Homebuy loans and grants

Under these arrangements the Group receives Social Housing Grant representing between 12½% and 25% of the purchase price in order to advance interest free loans to qualifying homebuyers. The buyer meets the balance of the purchase price from a personal mortgage, an element of which may be interest free for a period, and savings.

Loans advanced by the Group under these arrangements are disclosed as fixed asset investments. The Social Housing Grant received to fund these loans is included as part of the investment note using a linked presentation.

In the event that a property is resold, the Group recovers the appropriate proportion of the value of the property at the time of the resale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and the extent the proceeds permit. The Group is able to retain any surplus proceeds attributable to the share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the recycled grant.

There are no circumstances in which the Group will suffer any losses.

(i) Properties held for resale

The Group has developed a small number of properties for outright sales as part of mixed tenure schemes. Where these are unsold at the balance sheet date these are stated at the lower of cost and net realisable value.

(j) Loans

Since 1988 all loans have been raised from the private sector including banks, building societies and The Housing Finance Corporation Limited. All loan interest is accounted for on a basis which reflects the effective periodic rate of interest on the loan. Proceeds of loan stock issued by The Housing Finance Corporation Limited often contain elements of either discount or premium. In accordance with Financial Reporting Standard No 4, loans outstanding on the balance sheet are shown net of any premiums with the full loan outstanding being reinstated over its life by means of adjustments from the Income and Expenditure Account. Costs of raising finance are set against gross loans received and the loan is then refinanced over its life by means of adjustments from the Income and Expenditure account. Costs of raising finance are deemed to be finance costs of the same nature as interest.

(k) Negative goodwill

Negative goodwill arising on business combinations represents the difference between the consideration given and the fair value of the net assets of the acquired entity. It is included in reserves and released to the Income and Expenditure Account in the periods in which the fair value of the non-monetary assets purchased on the acquisition are recovered whether through depreciation or sale.

(l) Major repairs and improvements

The SORP determines that major repairs and improvement works should be capitalised where they result in an increase in the net rental stream over the properties' useful economic lives. The Board of Management, in compliance with the SORP have determined that, in general, the works undertaken as major repairs comply with the criteria for capitalisation and the net costs have, therefore, been charged to fixed assets on the balance sheet.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

1 Accounting policies (continued)

(m) Designated and restricted reserves

The following reserves have been designated by the Boards of Management:

Designated reserves:

Major repairs and improvements:

This represents surpluses, which have been set aside to meet future expenditure on both mixed funded developments and pre 1988 housing stock.

Exchange of Assets:

A reserve has been established relating to properties in the Liberty Park Development in Coventry where new build properties have been exchanged for demolished properties. The amount credited to the reserve is the unrealised gain which represents the difference between the Existing Use Value – Social Housing of the new properties and the net book value of the properties demolished. Transfers from this reserve to the Income and Expenditure Account reserve are made as the gain is realised through depreciation or sale of the properties.

SHYPP reserves:

This represents surpluses, which have been earmarked for future use in respect of the supported housing for young people project.

Restricted reserves:

Special Reserve:

This represents donations received by West Mercia Homes Limited.

(o) Pension costs

The Associations operate contributory defined benefit final salary pension schemes, for some of their staff who wish to participate, sponsored by the National Housing Federation and the Tenant Services Authority, the cost of which is written off to the Income and Expenditure Accounts on an accruals basis. The assets of the scheme are held separately from those of the Associations in an independent fund administered by the Pensions Trust for Charities and Voluntary Organisations. Details of the latest valuation are given in note 17 to the financial statements.

As the Scheme is industry-wide, it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, the Associations have taken advantage of the exemption in Financial Reporting Standard No 17 and have accounted for their contributions to the Scheme as if they were defined contribution schemes.

Whitefriars Housing Group also offers the option of the West Midlands Metropolitan Authorities Pension Scheme to its staff, the pension scheme liabilities are measured using the projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme deficit is recognised in full on the Group balance sheet.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

2(i) Turnover, operating costs and operating surplus

GROUP	Turnover £'000	Operating Costs £'000	2009 Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Restated 2008 Operating Surplus £'000
Social housing activities:						
Lettings (note 2(iii))	42,667	(32,411)	10,256	16,876	(10,993)	5,883
Other:-						
Supporting People contract income	990	(993)	(3)	475	(475)	-
Development services	-	(412)	(412)	2	(248)	(246)
Management services	239	-	239	565	(229)	336
First tranche shared ownership sales	6,602	(6,135)	467	6,338	(5,832)	506
Shared equity sales	412	(589)	(177)	-	-	-
Other	1,507	(1,305)	202	28	-	28
	52,417	(41,845)	10,572	24,284	(17,777)	6,507
Non-Social housing activities:						
Properties held for resale	-	-	-	635	(666)	(31)
Lettings	121	(120)	1	98	(85)	13
	52,538	(41,965)	10,573	25,017	(18,528)	6,489

2(ii) Turnover from Non-Social Housing Activities

GROUP	2009 £'000	2008 £'000
Properties held for resale	-	635
Registered Nursing Homes	121	98
	121	733

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

2(iii) Social housing lettings		
GROUP	2009	2008
	£'000	£'000
Income from lettings		
Rents receivable net of identifiable service charges	39,157	14,811
Charge for Support Services	173	183
Lease receipts	-	9
Service charges receivable	3,396	1,724
	<hr/>	<hr/>
Gross rents receivable	42,726	16,727
Less: Rent losses from voids	(875)	(110)
	<hr/>	<hr/>
Net rents receivable	41,851	16,617
Housing Corporation revenue grants	143	108
Other revenue grants	87	151
Other income	586	-
	<hr/>	<hr/>
Turnover from social housing lettings	42,667	16,876
	<hr/> <hr/>	<hr/> <hr/>
Management	(8,805)	(2,520)
Services	(5,363)	(2,863)
Routine maintenance	(6,855)	(2,933)
Planned maintenance	(2,547)	(1,214)
Major repairs expenditure	(4,710)	-
Rent losses from bad debts	(551)	(62)
Property lease charges	(122)	(111)
Depreciation of housing properties	(4,252)	(1,290)
Amortisation of Goodwill	1,042	-
Other costs	(248)	-
	<hr/>	<hr/>
Operating costs on social housing lettings	(32,411)	(10,993)
	<hr/> <hr/>	<hr/> <hr/>
Operating surplus on social housing lettings	10,256	5,883
	<hr/> <hr/>	<hr/> <hr/>
2(iv) Social housing lettings		
GROUP	2009	2008
	£'000	£'000
General Needs Housing	39,051	14,579
Residential Care Homes	17	170
Supported Housing	2,011	641
Shared Ownership	1,647	1,486
	<hr/>	<hr/>
Rent receivable from social housing lettings	42,726	16,876
	<hr/> <hr/>	<hr/> <hr/>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

2(v) Turnover, operating costs and operating surplus

ASSOCIATION	Turnover £'000	Operating Costs £'000	2009 Operating Surplus £'000	Turnover £'000	Operating Costs £'000	2008 Operating Surplus £'000
Social housing activities:						
Lettings	-	-	-	-	-	-
Other:-						
Development services	-	-	-	2	(2)	-
Management services	6,056	(5,789)	267	3,081	(3,081)	-
	6,056	(5,789)	267	3,083	(3,083)	-

3 Profit on Sale of Fixed Assets

GROUP	Proceeds £'000	Cost of Sales £'000	Amortised Goodwill £'000	Operating Costs £'000	2009 Profit £'000	2008 Profit £'000
Second and subsequent tranche shared ownership disposals	322	(140)	-	(68)	114	169
Right to acquire sales	145	(144)	-	(39)	(38)	(21)
Other sales	173	(65)	11	(27)	92	231
	640	(349)	11	(134)	168	379

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

4 Directors' emoluments

The Directors are defined as the Board of Management, the Group Chief Executive and other members of the Group Executive Management Team reporting to the Group Chief Executive. Details of remuneration are as follows.

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Emoluments – including pension contributions and benefits in kind	774	516	737	502
Emoluments, excluding pension contributions, paid to the highest paid director (the Deputy Group Chief Executive)	113	99	113	99

The Deputy Group Chief Executive is an ordinary member of the Social Housing Pension Scheme (see note 17). She is not subject to any enhanced or special terms nor does the Group make any contribution to an individual pension on her behalf.

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Total expenses reimbursed to the officers and group executive officers chargeable to United Kingdom income tax	17	12	3	8

5 Employee information

	Group		Association	
	2009	2008	2009	2008
	Number	Number	Number	Number
The average weekly number of persons, based on a 35 hour week (including the Group Chief Executive) employed during the year was:	462	140	67	55

	2008	2008	2008	2007
	£'000	£'000	£'000	£'000
Staff costs were:				
Salaries	11,139	3,820	2,331	1,740
Social security costs	885	303	201	138
Pension and other costs	1,180	319	230	173
	13,204	4,442	2,762	2,051

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

6 Interest

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Interest receivable	361	666	-	-
	361	666	-	-
Interest payable on bank loans, overdrafts and other loans:				
Repayable by instalments after more than five years	10,320	5,106	-	-
Interest on other loans	931	814	-	-
Capitalisation of development interest payable	(1,103)	(1,001)	-	-
	10,148	4,919	-	-

7 Taxation

The subsidiaries are charitable and providing income is derived from their primary purpose, there is no liability for corporation tax.

GROUP & ASSOCIATION	2009	2008
	£'000	£'000
UK corporation tax		
UK corporation tax on surplus of the period	60	-
Deferred tax		
Originating and reversal of timing differences	(14)	-
	46	-

The liability to Corporation Tax has been reduced by the payment of gift aid to two of the charitable subsidiaries before the end of the financial year.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

7 Taxation (continued)

ASSOCIATION

Factors affecting current tax charge

The tax assessed on the surplus on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below.

	2009 £'000	2008 £'000
Surplus on ordinary activities before tax at 28% for 2009	87	-
Surplus on ordinary activities multiplied by standard rate of UK corporation tax	24	-
Effect of:		
Expenses not deductible for tax purposes	22	-
Depreciation in excess of capital allowances	14	-
	60	-
	60	-

8 Surplus on ordinary activities before taxation

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting)				
Depreciation on housing properties	4,261	1,297	-	-
Depreciation on other tangible fixed assets	528	234	165	158
Amortisation of negative goodwill	(1,042)	-	-	-
Release of negative goodwill on sale of property	(11)	-	-	-
Auditor's remuneration				
- Audit of parent company	8	4	8	4
- Audit of subsidiaries	34	19	-	-
- Tax services	7	12	-	12
Operating lease payments				
- Motor vehicles	349	46	34	36
- Office rental and equipment	243	183	118	117
	4,261	1,297	165	158

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

9 Housing Properties					
GROUP	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2008	226,058	12,292	24,780	22,877	286,007
Prior year adj. (note 22)	(303)	(808)	2,229	(7,928)	(6,810)
At 1 April 2008 restated	225,755	11,484	27,009	14,949	279,197
Acquisitions (note 19)	359,212	3,317	5,642	-	368,171
Additions	7,304	24,563	32	14,521	46,420
Schemes completed	20,067	(20,067)	23,623	(23,623)	-
Disposals:					
– first tranche sales	-	-	(2)	(2,126)	(2,128)
– RTB/RTA/subsequent tranche sales	(192)	-	(154)	-	(346)
Transfers from/(to)					
– properties for resale	-	-	-	1,006	1,006
– shared ownership	-	-	-	1,429	1,429
– IMR	7,785	3,402	(7,785)	(3,402)	-
Abortive costs	-	(8)	-	(75)	(83)
At 31 March 2009	619,931	22,691	48,365	2,679	693,666
Depreciation					
At 1 April 2008	6,452	-	728	-	7,180
Prior year adj. (note 22)	(9)	-	(11)	-	(20)
At 1 April 2008 restated	6,443	-	717	-	7,160
Charge for the year	4,009	-	252	-	4,261
Disposals	(1)	-	(3)	-	(4)
Transfer-IMR	59	-	(59)	-	-
At 31 March 2009	10,510	-	907	-	11,417
Depreciated cost					
At 31 March 2009	609,421	22,691	47,458	2,679	682,249
At 31 March 2008	219,312	11,484	26,292	14,949	272,037
Social Housing and Other Grants					
At 1 April 2008	120,366	3,226	14,428	1,813	139,833
Prior year adj. (note 22)	239	-	(910)	-	(671)
At 1 April 2008 restated	120,605	3,226	13,518	1,813	139,162
Acquisition (note 19)	4,659	1,626	-	-	6,285
Transfers	850	783	(3,315)	1,682	-
Received & receivable	1,450	9,513	7	2,452	13,422
SHG in advance	-	(903)	-	(44)	(947)
Schemes completed	6,701	(6,701)	4,596	(4,596)	-
Transfer (to)/from RCGF	(94)	982	(92)	-	796
Transfer from DPF	838	143	-	-	981
At 31 March 2009	135,009	8,669	14,714	1,307	159,699
Net book value					
At 31 March 2009	474,412	14,022	32,744	1,372	522,550
At 31 March 2008	98,707	8,258	12,774	13,136	132,875

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

9 Housing Properties (continued)

GROUP	2009 £'000	2008 £'000
Housing properties net book value comprise:		
Freeholds	512,095	129,875
Long leaseholds	7,407	3,000
Short leaseholds	3,048	-
	522,550	132,875

Cumulative interest capitalised during the development period to 31st March 2009 totalled £4,159,599 (2008: £3,281,265).

The cumulative amount of Social Housing Grant received to date is approximately £160m (2008: £140m).

“Housing properties held for letting” includes the costs of 2 nursing homes shown under non-social housing activities in note 2. The cost of these properties is £750,541, which is part funded by grants of £280,000 from a regional health authority.

10 Other fixed assets

GROUP	Freehold Offices	Lease- hold Offices	Office Fixtures & Fittings	Computer Equipment	Common Areas	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2008	1,644	459	574	965	97	3,739
Acquisitions (note 19)	5,177	-	1,497	2,152	-	8,826
Additions	1	115	132	275	2	525
Disposals	-	-	(16)	(30)	-	(46)
At 31 March 2009	6,822	574	2,187	3,362	99	13,044
Depreciation						
At 1 April 2008	294	154	458	807	4	1,717
Acquisitions (note 19)	1,284	-	1,201	1,982	-	4,467
Charge for the year	123	48	111	244	2	528
Disposals	-	-	(16)	(30)	-	(46)
At 31 March 2009	1,701	202	1,754	3,003	6	6,666
Grants						
At 1 April 2008	-	-	-	-	87	87
Received and Receivable	-	-	-	-	-	-
31 March 2009	-	-	-	-	87	87
Net book value At 31 March 2009	5,121	372	433	359	6	6,291
At 31 March 2008	1,350	305	116	158	6	1,935

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009 (continued)

10 Other fixed assets (continued)

ASSOCIATION	Leasehold Offices	Office Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2008	71	140	965	1,176
Additions	-	33	119	152
At 31 March 2009	<u>71</u>	<u>173</u>	<u>1,084</u>	<u>1,328</u>
Depreciation				
At 1 April 2008	21	93	807	921
Charge for the year	4	15	146	165
At 31 March 2009	<u>25</u>	<u>108</u>	<u>953</u>	<u>1,086</u>
Net book value At 31 March 2009	<u>46</u>	<u>65</u>	<u>131</u>	<u>242</u>
At 31 March 2008	<u>50</u>	<u>47</u>	<u>158</u>	<u>255</u>

11 Homebuy loans and grants

GROUP	2009 £'000	2008 £'000
Loans made by the Group	3,881	3,004
Grants received from the Tenants Services Authority	3,869	2,992

The Group has received grants from the Tenants Services Authority in total up to 31 March 2009 of £3,869,000 (2008: £2,992,000) which have been loaned to people qualifying under the Homebuy Scheme. Income from the administration of the Scheme of £262,000 (2008: £209,000) has been used by the Group for administration services.

12 Housing Stock

GROUP	2009 No of Units	2008 No of Units
Owned and completed at the end of the year:		
General Needs	21,175	4,181
Nursing and Care Homes	65	66
Supported Housing	217	214
Shared Ownership	922	816
Retained Freeholds and Estate Charges	1,768	434
Total owned and completed	<u>24,147</u>	<u>5,711</u>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009 (continued)

12 Housing stock

	2009	2008
	No of	No of
	Units	Units
Owned and completed at the end of the year	24,147	5,711
Managed by others at the end of the year:		
Dimensions (UK)	(48)	(49)
Knightstone Housing Association Limited	(25)	(25)
West Mercia Women's Aid	(23)	(23)
Praxis Care Group	(17)	(17)
Adullum Homes Housing Association Limited	(12)	(12)
Aspire Hereford	(12)	(12)
Birmingham and Solihull Women's Aid	(11)	(11)
McIntyre Care	(4)	(4)
St Annes	(17)	-
	23,978	5,558
Managed for others	414	470
	24,392	6,028
	24,392	6,028

13 Debtors

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Gross rental debtors	4,071	669	-	-
Less provision for doubtful debts	(2,990)	(158)	-	-
	1,081	511	-	-
Trade debtors	208	635	-	-
Deferred tax	14	-	14	-
Amounts due from subsidiary undertakings	-	-	2,348	-
Prepayments and accrued income	1,568	340	111	98
Homebuy grant receivable	-	97	-	-
Other debtors	2,318	596	54	-
Social housing grant receivable	498	-	-	-
	5,687	2,179	2,527	98
	5,687	2,179	2,527	98

14 Short-term investments

GROUP	2009	2008
	£'000	£'000
Unlisted Investments:		
Bank deposits - Maturing in more than 24 hours	2,000	-
	2,000	-

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009 (continued)

15 **Creditors:** amounts falling due within one year

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Housing loans	766	755	-	-
Trade creditors	4,651	2,094	-	62
Other creditors	1,015	-	69	-
Other taxation and social security payable	2	100	-	98
Corporation tax	60	-	60	-
Amounts due to subsidiary undertakings	-	-	2,548	156
Recycled capital grant fund	-	845	-	-
Disposal proceeds fund	123	145	-	-
Accruals and deferred income	9,935	2,015	109	52
Monies received in advance	-	43	-	-
Social housing grant received in advance	1,123	-	-	-
	<u>17,675</u>	<u>5,997</u>	<u>2,786</u>	<u>368</u>

16 **Creditors:** amounts falling due after more than one year

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Monies received in advance	585	436	-	-
Housing loans	322,895	106,271	-	-
Other creditors	177	-	-	-
Recycled capital grant fund	290	534	-	-
Disposal proceeds fund	2,928	304	-	-
	<u>326,875</u>	<u>107,545</u>	<u>-</u>	<u>-</u>

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Monies received in advance				
At 1 April 2008	479	417	-	-
Additions during the year	232	115	-	-
Expenditure during the year	(126)	(53)	-	-
At 31 March 2009	<u>585</u>	<u>479</u>	<u>-</u>	<u>-</u>
Less amount shown in current liabilities	-	(43)	-	-
	<u>585</u>	<u>436</u>	<u>-</u>	<u>-</u>

Monies are collected annually from residents of leasehold schemes towards future major repairs to the schemes. These monies are held on Trust by the Subsidiaries.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

16 Creditors: amounts falling due after more than one year (continued)

Housing loans

Amounts repayable by instalments:

Loans from local authorities, banks and building societies are secured by specific charges on the Group's housing properties. The loans to Whitefriars Housing Group are also secured by a floating charge over all its housing properties and other assets. The loans are repayable at varying rates of interest in instalments due as follows:

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Repayable within one year	766	755	-	-
Repayable within one to two years	9,948	985	-	-
Repayable within two to five years	8,356	3,370	-	-
Repayable after five years	292,991	90,231	-	-
	312,061	95,341	-	-

Amounts repayable otherwise than by instalments:

	Group		Association	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Repayable within one year	-	-	-	-
Repayable within one to two years	-	-	-	-
Repayable after five years	12,500	12,500	-	-
	324,561	107,841	-	-
Finance Costs	(824)	(728)	-	-
Premium of issue	(76)	(87)	-	-
	323,661	107,026	-	-
Less amount shown in current liabilities	(766)	(755)	-	-
	322,895	106,271	-	-

Interest rates range between 1.375% and 12.261% and have a weighted average rate of 5.152%.

Loans from The Housing Finance Corporation Limited totalling £4,000,000 are secured by specific charges over West Mercia Homes Limited housing properties. The loans are repayable by single repayments in 2016 and 2023 and are subject to fixed interest rates. A further loan of £8,500,000 is repayable by a single instalment in 2027 and is on a variable rate of interest.

At 31 March 2009 additional borrowing facilities of £76.0m (2008: £8.4m) had been agreed with existing lenders.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

16 Creditors: amounts falling due after more than one year (continued)

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Recycled capital grant fund				
At 1 April 2008	1,379	1,205	-	-
Additions during the year	142	338	-	-
Withdrawals during the year	(1,273)	(239)	-	-
Notional interest	42	75	-	-
At 31 March 2009	290	1,379	-	-
Repayable within one year	-	845	-	-
Repayable within one to two years	145	180	-	-
Repayable within two to five years	145	354	-	-
	290	1,379	-	-
Less amount shown in current liabilities	-	(845)	-	-
At 31 March 2009	290	534	-	-
Disposal proceeds fund				
At 1 April 2008	449	250	-	-
Acquisitions	3,773	-	-	-
Additions during the year	189	182	-	-
Withdrawals during the year	(1,506)	-	-	-
Notional interest	146	17	-	-
At 31 March 2009	3,051	449	-	-
Repayable within one year	123	145	-	-
Repayable within one to two years	2,410	-	-	-
Repayable within two to five years	518	304	-	-
	3,051	449	-	-
Less amount shown in current liabilities	(123)	(145)	-	-
At 31 March 2009	2,928	304	-	-

In accordance with the Homes and Communities Agency's procedures where necessary the Subsidiaries have established Recycled Capital Grant Funds and Disposal Proceed Funds. The provisions under which these funds are established require that additions to the funds are either reinvested into allowable developments or repaid to the Housing Corporation within three years. The procedures also require that notional interest be added to the funds. The Associations have treated this notional interest as an appropriation of their surpluses for the year.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

17 Pension obligation

Two pension schemes are utilised by employers in the West Mercia Housing Group. All employers offer the Social Housing Pension Scheme (SHPS) on the 1/60th accrual or 1/60th CARE basis to all staff. For the purposes of the financial statements as this is a multi employer scheme where each employer's share of the assets and liabilities cannot be separately identified, this is accounted for as a Defined Contribution Scheme.

Whitefriars Housing Group also offers the option to staff of membership of the West Midlands Metropolitan Authorities Pension Scheme on a 1/60th accrual basis and as it is possible to estimate the Group's share of the underlying assets and liabilities this is accounted for on the balance sheet in accordance with the requirements of FRS17.

The assets of both schemes are held independently of the Group.

West Midlands Metropolitan Authorities Pension Fund

Whitefriars is a scheduled member into the West Midlands Metropolitan Authorities Pension Fund (WMMAPF). This is a funded defined benefit scheme. Employees are eligible to join the WMMAPF subject to certain qualifying criteria. The pension costs that are charged to Whitefriars accounts in respect of those employees are equal to contributions paid to the fully funded benefit pension scheme.

The pension cost is assessed in accordance with the advice of an independent qualified actuary and charged to the Income and Expenditure account as described below.

The employers' contribution rate is assessed in accordance with the advice of an independent and professionally qualified actuary. The employees' contribution rate is fixed.

The pension contributions made by Whitefriars, in the period from the date of the business combination, 7 November 2008, was £770,000.

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The date of the last valuation was 31 March 2007.

At the year end there were outstanding contributions of £193,293 included within Other Creditors.

The financial assumptions used by the actuary to calculate the scheme liabilities under FRS 17 were as follows (the assumptions for 31 March 2008, which pre-date the combination, are shown for illustrative purposes):

	March 2009	Date of Combination 7 November 2008	March 2008
Rate of increase in salaries	5.25%	5.15%	5.35%
Rate of increase in pensions in payment	3.5%	3.4%	3.6%
Discount rate	7.0%	6.2%	5.9%
Inflation assumption	3.5%	3.4%	3.6%

The mortality assumptions used in the valuation of the pension liabilities at 31 March 2009 and the date of combination is taken from the PA92 (YOB) with medium cohort projections and a +1 year age rating.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

17 Pension obligation (continued)

West Midlands Metropolitan Authorities Pension Fund (continued)

	March 2009	Date of Combination 7 November 2008	March 2008
Life expectancy:			
Of a male (female) future pensioner aged 65 in 20 years' time	22.2 (25.0)	22.2 (25.0)	22.2 (25.0)
Of a male (female) current pensioner aged 65	21.1 (24.0)	21.1 (24.0)	21.1 (24.0)

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

The fair value of assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Expected rate of return %	Fair value at 31 March 2009 £'000	Expected rate of return %	Fair value at 7 November 2008 £'000	Expected rate of return %	Fair value at 31 March 2008 £'000
Equities	7.5	24,708	7.5	25,730	7.5	31,986
Government bonds	4.0	4,752	4.8	4,384	4.6	4,602
Other bonds	6.0	2,509	6.2	2,461	5.9	2,481
Property	6.5	4,180	6.5	4,077	6.5	3,970
Other	0.5	1,863	3.0	1,808	5.3	2,075
Total market value of assets		38,012		38,460		45,114
Present value of scheme liabilities		(52,308)		(58,279)		(61,577)
Net pension liability		(14,296)		(19,819)		(16,463)

**ANALYSIS OF THE AMOUNT CHARGED TO SURPLUS
BEFORE TAXATION**

	Date of combination to 31 March 2009 £'000
Current service cost	988
Of a male (female) current pensioner aged 65	70
Total operating charge	1,058

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

17 Pension obligation (continued)

West Midlands Metropolitan Authorities Pension Fund (continued)

ANALYSIS OF THE AMOUNT CHARGED TO OTHER FINANCE COSTS	Date of combination to 31 March 2009 £'000
Expected return on pension scheme assets	1,323
Interest on pension scheme liabilities	(1,539)
Net cost	(216)
<hr/>	
ANALYSIS OF THE AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS (STRSD)	Date of combination to 31 March 2009 £'000
Actual return less expected return on pension scheme assets	(2,406)
Experience gains and losses arising on the scheme liabilities	5,655
Changes in assumptions underlying the present value of the scheme liabilities	2,789
Actuarial gain recognised in STRSD	6,027
<hr/>	
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	2009 £'000
Opening defined benefit obligation – at date of combination	58,279
Service cost	988
Interest cost	(1,539)
Contributions by scheme participants	315
Actuarial gains	(5,655)
Past service costs	70
Benefits paid	(450)
Closing defined benefit obligation	52,308
<hr/>	
CHANGES IN THE FAIR VALUE OF PLAN ASSETS	2009 £'000
Opening plan assets – at date of combination	38,460
Expected return	1,323
Actuarial losses	(2,406)
Contributions by employer	770
Contributions by scheme participants	315
Benefits paid	(450)
Closing plan assets	38,012
<hr/>	

The actual return on plan assets at 31 March 2009 was (£8,625,000) (2008: £12,881,000)

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

17 Pension obligation (continued)

West Midlands Metropolitan Authorities Pension Fund (continued)

ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS (STRSD)	Cumulative 2009 £'000
Actual return less expected return on pension scheme assets	(2,406)
Experience gains and losses arising on scheme liabilities	5,655
Changes in assumptions underlying the present value of the scheme liabilities	2,789
Actuarial gain recognised in STRSD	<hr/> 6,027 <hr/> <hr/>

The group expects to contribute £2,460,000 to its defined benefit pension plans in 2009/10.

Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, until March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career averaged revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Group has elected to operate the final salary with a 1/60th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 1st April 2007 and the 1/60th accrual benefit structure is open for new entrants employed by Whitefriars Housing Group and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants for other Group employees from 1st April 2007.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

17 Pension obligations (continued)

Social Housing Pension Scheme (continued)

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions between the rate of 12.3% and 16%. Member contributions varied between 4.7% and 10.2% depending on their age.

As at the balance sheet date there were 52 active members of the Scheme employed by the Association and a total of 122 across the Group. The annual pensionable payroll in respect of these members was £4,119,081. The Group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £ 663 million, equivalent to a past service funding level of 70%.

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

	% pa
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate

The valuation was carried out using the following demographic assumptions

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

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

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

17 Pension obligations (continued)

Social Housing Pension Scheme (continued)

	Long-term joint contribution rate (% of pensionable salaries)
Benefit structure	
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average revalued earnings with a 1/60 th accrual rate	14.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £ 663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

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

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

17 Pension obligations (continued)

Social Housing Pension Scheme (continued)

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

West Mercia Housing Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30th September 2008. As of this date the estimated employer debt for the Association was £4,785,000 and across the Group totalled £14,383,000.

18 Negative Goodwill

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Additions during the year	142,052	-	-	-
Amortised during for the year	(1,042)	-	-	-
Released on sale of property	(11)	-	-	-
At 31 March 2009	140,999	-	-	-
	140,999	-	-	-

The addition of negative goodwill during the year occurred when Whitefriars Housing Group joined West Mercia Housing Group on 7th November 2008. The entity's assets and liabilities are reflected in the consolidated accounts at fair values and are analysed in more detail in note 19.

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

19 Subsidiary Association

On the 7th November 2008 West Mercia Housing Group acquired Whitefriars Housing Group Limited, for consideration of £1. The transaction has been accounted for using the acquisition method of accounting. The net assets acquired in the transaction and the negative goodwill arising are as follows:

Net assets acquired were as follows:	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Housing properties	128,652	233,234	361,886
Other fixed assets	4,359	-	4,359
Current assets	2,817	-	2,817
Creditors	(4,191)	-	(4,191)
Pension liability	(19,819)	-	(19,819)
Loans	(203,000)	-	(203,000)
Net assets acquired	<u>(91,182)</u>	<u>233,234</u>	<u>142,052</u>
Consideration	-	-	-
Negative goodwill	<u>(91,182)</u>	<u>233,234</u>	<u>142,052</u>

The Board of Management have undertaken an exercise to consider the EUV-SH of the Housing Properties at the date of acquisition. The Board of Management have established that these assets having a current value of £361,886,000 and have adjusted the fair value of the Housing Properties accordingly.

20 Non-equity share capital

GROUP AND ASSOCIATION	2009 £	2008 £
Allotted, issued and fully paid shared of £1 each		
At 1 April 2008	9	11
Issues during the year	7	3
Cancelled during the year	(1)	(5)
At 31 March 2009	<u>15</u>	<u>9</u>

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

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009
(continued)

21 Reserves

GROUP	Designated Reserves			Restricted Reserves	Revenue Reserves	Total £'000
	Major Repairs and Improvements £'000	Exchange of Assets Reserve £'000	SHYPP Reserves £'000			
At 1 April 2008	144	-	214	4	40,572	40,934
Prior year adjustment	-	-	-	-	3,498	3,498
At 1 April 2008 restated	144	-	214	4	44,070	44,432
Actuarial gain on pension scheme deficit	-	-	-	-	6,027	6,027
Credited during the year	-	923	-	-	-	923
Transfer to Income & Expenditure Account	-	(12)	-	-	12	-
Transfer from Income & Expenditure Account	45	-	25	-	(70)	-
RCGF notional interest	-	-	-	-	(42)	(42)
DPF notional interest	-	-	-	-	(9)	(9)
Surplus for the year					692	692
At 31 st March 2009	189	911	239	4	50,680	52,023

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

21 Reserves

	Revenue Reserves
ASSOCIATION	Income and Expenditure Account £'000
At 1 st April 2008	-
Surplus for the year	41
At 31 st March 2009	41

22 Prior year adjustment

The policy for accounting for the costs of first tranche construction costs of shared ownership properties and their subsequent sale has been brought into line with the 2008 SORP.

Previously the proceeds of first tranche sale of shared ownership properties were credited to fixed assets with subsequent sales being accounted for within the financial statements as a net figure within "Surplus on sale of Housing Properties". In line with the revised 2008 SORP the proceeds and cost of sales relating to the first tranche sales are shown within turnover and operating costs respectively.

Within the balance sheet, first tranche costs were previously capitalised as fixed assets. In order to comply with the SORP 2008, previously capitalised first tranche costs have been reclassified as current assets within Properties held for Sale.

Comparative figures in the primary statements and related notes have been restated to reflect these changes and are summarised below:

	£'000	Year ended 31st March 2008 £'000
Operating surplus:		
As previously stated		5,983
Adjustment to reflect surplus on first tranche sale within turnover and operating costs		506
As restated		6,489
Housing Properties – Net book value:		
As previously stated		138,994
Net adjustment to reflect first tranche sales of shared ownership properties as turnover and the costs as Properties held for resale:		
- Cost	(6,810)	
- Depreciation	20	
- Social Housing Grant	671	(6,119)
As restated		132,875

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

22 Prior year adjustment (continued)

	£'000	Year ended 31st March 2008 £'000
Properties held for resale:		
As previously stated		1,007
Adjustment to reflect cost of first tranche sales of shared ownership properties unsold at the year end as a current asset		9,617
As restated		10,624
 Revenue Reserves:		
As previously stated		40,934
Net adjustment to reflect first tranche sales of shared ownership properties as turnover and the costs as Properties held for resale:	(6,119)	
Adjustment to reflect cost of first tranche sales of shared ownership properties unsold at the year end as a current asset	9,617	3,498
As restated		44,432

The effect of the change in accountancy policy has a cumulative effect on the revenue reserves of £3,498,031. Of this amount £505,766 is recognized in the year ended 31st March 2008 and £2,992,265 relates to pre 31st March 2007 and is recognised in the Statement of Recognised Surpluses and Deficits.

23 Financial commitments

Capital commitments

GROUP	2009 £'000	2008 £'000
Capital expenditure that has been authorised by the Boards of Management, but has not been contracted for	29,263	27,113
Capital expenditure that has been authorised by the Boards of Management and contracted for	50,668	31,499

Revenue commitments

GROUP

Operating lease payments, for the Group, amounting to £810,000 (2008: £255,000) are due within one year. The leases to which these amounts relate expire as follows:-

	Offices & Equipment £'000	Motor Vehicles £'000	2009 Total £'000	Offices & Equipment £'000	Motor Vehicles £'000	2008 Total £'000
Between two to five years	108	485	593	-	46	46
Over five years	243	-	243	209	-	209
	351	485	836	209	46	255

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

23 Financial commitments (continued)

Revenue commitments (continued)

ASSOCIATION

Operating lease payments, for the parent, amounting to £151,000 (2008: £154,000) are due within one year. The leases to which these amounts relate expire as follows:-

	Offices & Equipment £'000	Motor Vehicles £'000	2009 Total £'000	Offices & Equipment £'000	Motor Vehicles £'000	2008 Total £'000
Between two to five years	-	35	35	-	36	36
Over five years	116	-	116	118	-	118
	<u>116</u>	<u>35</u>	<u>151</u>	<u>118</u>	<u>36</u>	<u>154</u>

24 Cash flow statement

a) Reconciliation of operating surplus to net cash inflow from operating activities

	2009 £'000	Restated 2008 £'000
Surplus on ordinary activities before taxation	738	2,615
Net interest payable and similar charges	9,786	4,253
Profit on sale of fixed assets	(168)	(379)
Operating surplus	<u>10,356</u>	<u>6,489</u>
Depreciation charge on housing properties	4,261	1,297
Depreciation charge on other tangible assets	528	234
Amortisation of negative Goodwill	(1,042)	-
Adjustment for FRS17	(288)	-
Decrease/(Increase) in properties held for resale	4,067	194
Decrease in debtors	2,013	(750)
Decrease in creditors	1,622	487
Net cash inflow from operating activities	<u><u>21,517</u></u>	<u><u>7,951</u></u>

b) Reconciliation of net cash flow to movement in net debt

Increase/(Decrease) in cash in the year	858	(6,304)
Cash inflow from loan finance	(13,624)	(23,050)
Cashflow from decrease in liquid resources	(1,500)	-
Loans acquired with Whitefriars Housing Group	(203,000)	-
Liquid resources acquired with Whitefriars Housing Group	3,500	-
Cash change in net debt	<u>(213,766)</u>	<u>(29,354)</u>
Other changes in net debt	(11)	(11)
Net debt at 1 April 2008	(96,677)	(67,312)
Net debt at 31 March 2009	<u><u>(310,454)</u></u>	<u><u>(96,677)</u></u>

WEST MERCIA HOUSING GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

**31 March 2009
(continued)**

24 Cash flow statement (continued)

c) Analysis of changes in net debt

	At 1 April 2008 £'000	Cash flow £'000	Acquisition £'000	Other charges £'000	At 31 March 2009 £'000
Cash at bank and in hand	10,349	858	-	-	11,207
Debt due in one year	(755)	-	-	(11)	(766)
Debt due after one year	(106,271)	(13,624)	(203,000)	-	(322,895)
Bank deposits	-	(1,500)	3,500	-	2,000
Total	(96,677)	(14,266)	(199,500)	(11)	(310,454)

Whitefriars Housing Group Limited contributed £9.1m to the group's net operating cash flows, paid £4.8m in respect of net returns on investments and servicing of finance and utilised £3m for housing properties and other fixed assets.

25 Contingent liabilities

At 31 March 2009 there were no contingent liabilities known to the Group (2008: Nil).

26 Control of related parties

West Mercia Housing Group Limited which is registered in England and Wales is the ultimate parent undertaking of West Mercia Homes Limited, Harden Housing Association (Midlands) (2005) Limited, Nexus (Midlands) Housing Association (2005) Limited, Kemble Housing Limited and Whitefriars Housing Group Limited all of whom are Registered Social Landlords and industrial and provident societies registered under the Industrial and Provident Societies Acts 1965 to 2002.

West Mercia Homes Limited, Harden Housing Association (Midlands) (2005) Limited, Nexus (Midlands) Housing Association (2005) Limited, Kemble Housing Limited and Whitefriars Housing Group Limited all have charitable status and their principal activities are the provision of homes for families, single people, and for those with special needs. West Mercia Housing Group Limited, which is non-charitable, controls membership of their Boards of Management by virtue of the Rules of the subsidiary associations. It also owns a £1 share in each of the subsidiaries, which are classified as investments on the Association's balance sheet.

Financial transactions between the parent and the subsidiaries and between fellow subsidiaries consist only of payment for management services rendered. West Mercia Housing Group Limited provides central management services to all subsidiaries whereas the latter are engaged in the management of stock on a geographical basis.