

Company number 3517244

WORTHING HOMES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2009

Worthing
HOMES



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Board members, executive directors, advisors and bankers

Board

Chair Paul Stanforth

Vice Chair Virginia Hewlett

Other board members Councillor Noel Atkins
Jean Balfour (to 24 November 2008)
Councillor Ann Barlow (to 16 May 2008)
Iain Flitcroft
Bernard Notley
Christopher Polden
Councillor John Rogers (from 16 May 2008)
Councillor Jack Saheid (to 16 May 2008)
Councillor Kevin Skepper (from 16 May 2008)
Christopher Spratt (to 25 September 2008)
Linda Susdorf
Mark Swindall

Company Secretary Robin King

Executive directors

Chief Executive Robin King
Housing and Care Director Moira James
Resources Director Julian Pitcher
Property Services Director Robin Roberts

Registered office Davison House
Worthing
West Sussex BN11 1ER

Independent auditors Deloitte LLP
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BZ

Solicitors Winckworth Sherwood
35 Great Peter Street
Westminster
London SW1P 3LR

Bankers and funders Lloyds Banking Group
3rd Floor, 25 Gresham Street
London EC2V 7HN

Legal status Company registered number 3517244
Tenant Services Authority number LH4208
Registered charity number 1074516

Board report

Introduction

The board presents its annual report and the audited financial statements of Worthing Homes Limited (“the company”) for the year ended 31 March 2009.

Principal activities

The company was set up and registered with Companies House on 28 February 1998 as a company limited by shares. The company is also registered with the Tenant Services Authority and the Charities Commission.

Registered social landlords were formerly regulated by the Housing Corporation. On 1 December 2008 the roles of the Housing Corporation were split, with the regulatory functions now being carried out by the Tenant Services Authority, and the investment functions of grant allocations being carried out by the Homes and Communities Agency.

Worthing Homes is a housing association with 3,000 homes in the Sussex coastal area. We are committed to providing affordable rented homes, care in the community, key worker accommodation and low cost shared ownership, and building new homes as part of the Sappling Housing partnership. RedAssure is our telecare and personal response service which provides reassurance and support for 1,500 customers in their own homes.

Business review

Details of the company’s performance for the year and future plans are set out in the operating and financial review that follows this board report.

Board members and executive directors

The present membership of the board is detailed on page 1 of the report and financial statements. The board members are drawn from a wide background bringing together technical, professional and community skills. All members of the board served throughout the year other than where indicated on page 1.

On 22 January 2009 the board agreed to increase the number of tenant board members to the maximum 4 to reflect the increased priority from the Tenant Services Authority for the maximum tenant involvement in the governance of housing associations.

During the year the company introduced a new policy for board member vacancies so that successful candidates are co-opted onto the board for a 6 month probationary period. Following successful completion of that probationary period, review with the Chair and Chief Executive and the wish to continue, full board membership would be given. On 12 March 2009 Duncan Jagger, Trevor Lewin and Mark Richardson were co-opted onto the board.

The executive directors are the Chief Executive and other members of the senior management team as detailed on page 1. The executive directors hold no interest in the company’s shares and act as executives within the authority delegated by the board.

The executive directors are employed on the same terms as other staff, their notice periods being 3 months. The executive directors are members of the Local Government Pension Scheme administered by Essex County Council, and participate in the scheme on the same terms as all other eligible staff.

The company has insurance policies that indemnify its board members and executive directors against liability when acting for the company.

National Housing Federation Code of Governance

We are pleased to report that the company complies with the principal recommendations of the National Housing Federation Code of Governance.

Board report (continued)

Statement of board responsibilities

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

Company law and registered social landlord legislation in the United Kingdom require the board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the year, and of the surplus or deficit of the company for the year then ended. In preparing those financial statements the board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards and the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008'.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure that the financial statements comply with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as is reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The board is responsible for ensuring that the board report is prepared in accordance with the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008'.

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

Internal controls

The board has responsibility for establishing and maintaining the overall system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and regularly reviewed by the board and has been in place throughout the period commencing 1 April 2008 up to the date of approval of this report and financial statements. The key elements of the internal control framework include:

- Board approved terms of reference and delegated authority for the governance and audit committee;
- Clearly defined corporate management and reporting structures;
- Standing orders and financial regulations setting out clearly the system of delegation are reviewed annually by the board;
- The company's risk management strategy, setting out the board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks;
- Ongoing risk assessment is carried out prior to the making of all major decisions, and all significant new initiatives, major commitments and investment projects are subject to formal authorisation by the board;
- The board approve the budgets for the year ahead and forecasts for subsequent years in the financial business plan. Monthly monitoring of the company's finances against detailed team budgets ensure that financial objectives are achieved and funding covenants maintained;

Board report (continued)

Internal controls (continued)

- Experienced and suitably qualified staff, within an appropriate organisational structure, take responsibility for important business functions. Annual appraisal procedures, plus regular supervision sessions and ongoing training, have been established to ensure consistent standards of performance;
- Detailed policies and procedures are in place in each area of the company's work;
- Regular reporting to senior management team and the board of key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes; and
- Monitoring of the control system by the governance and audit committee, the internal auditors and senior management team.

The board has a current policy on fraud covering prevention, detection and reporting of fraud, and the recovery of assets.

The Tenant Services Authority (formerly the Housing Corporation) circular "07/07: Internal controls assurance" sets out the requirements for boards of housing associations to review the effectiveness of their systems of internal control. The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the governance and audit committee to regularly review the effectiveness of the system of internal control. The governance and audit committee receives and considers reports from management on these risk management and control issues arrangements at each meeting during the year. The board receives minutes of the governance and audit committee meetings.

The means by which the governance and audit committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances and the external audit management letter. The governance and audit committee has received the chief executive's annual review of the effectiveness of the system of internal control for the company, together with the annual report of the internal auditor, and has reported its findings to the board. The board has in turn conducted its own annual review of the effectiveness of the system of internal control.

The board has reviewed the fraud register, and has reflected the information contained within it in its review.

The outcome of the board review is that the company has adequate and effective risk management, control and governance processes to manage the achievement of the company's objectives.

Issue of shares

During the year the company issued 2 shares at par value.

Board report (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the operating and financial review on pages 6 to 11.

The board, in its consideration of going concern, has reviewed the company's future cash flow forecasts and revenue projections, which it believes are based on prudent data, past experience and realistic expectations. The board believes, based on those forecasts and projections, that it is appropriate to prepare the financial statements of the company on the going concern basis.

The company's forecasts and projections, taking account of the current economic climate and reasonably possible changes in trading performance, show that the company should be able to operate within its current facilities and comply with its banking covenants. A breach of one of more of the covenants could result in the company's debt becoming immediately repayable. Whilst this circumstance is not envisaged, the company is subject to a number of risks and uncertainties arising as a result of the current economic environment, which are discussed further in the Operating and Financial Review on pages 6 to 11. In determining that the company is a going concern, these risks and uncertainties have been considered by the board, which has determined that they do not currently represent a significant threat to the company.

After making enquiries, the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Disclosure of information to auditors

In the case of each of the board members who are directors of the company at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as the company's auditors and a resolution to reappoint them will be proposed at the Annual General Meeting.

The board report was approved by the board on 9 July 2009 and signed on its behalf by

Chair – Paul Stanforth

Operating and financial review

Objectives and strategy

Worthing Homes is a housing association and charity with the vision of building neighbourhoods not estates, providing homes not housing. Our aims are:

- Quality services and homes - We will deliver a range of quality services and products that exceed the aspirations and expectations of our customers.
- Neighbourhoods and communities - We will provide a range of homes and services that give people the opportunity to live securely and take pride in their own neighbourhoods. Our RedAssure service will work with health and social services to enable people to stay in their own home and maintain their independence.
- Business development - We will build new homes, deliver new services and invest in and inspire local neighbourhoods and communities in Sussex.
- Reputation - We will set the highest standards for our work with customers, stakeholders and partners based on our core values of honesty, respect and professionalism.

Celebrating 10

10 years is a pretty significant milestone in anyone's book – whether it's a birthday, an anniversary or as in Worthing Homes' case, 10 years since it was founded. So instead of simply 'badging' 2009 as its 10th anniversary, Worthing Homes is launching a year of special initiatives and events under the banner 'a celebration of 10!'.

Our 'celebration of 10!' aims to involve as many members of the community as possible and hopefully some of our initiatives will have a lasting impact on the neighbourhood, which we believe is a fitting way to mark our tenth year.

So how many initiatives are we planning...? Well, 10 of course and they are briefly outlined here.

1. Kids to Ethiopia – supporting a 'kids cross continent' project where local teenagers embark on a life changing experience and travel to a special needs centre in Ethiopia to work with young people there, giving much needed support and care.
2. Neighbourhood Buddies – a scheme to raise awareness of the plight of vulnerable people who live alone – promoting an independent living service to support them in their own homes.
3. Community Grants – grants of up to £1,000 are available to local groups or individuals with ideas for community projects that will have a lasting impact on the neighbourhood.
4. A Fun Day on 10 October 2009 for the community with competitions and prizes.
5. A celebration of our R+R (Renewal and Regeneration) programme – marked by the opening of our brand new Norfolk Mansions building on Newlands Road.
6. Business Buddies – a scheme to promote business mentoring and work placements for young people.
7. Low Impact Living – a series of projects focusing on reducing the environmental impact of the way we live and work.
8. Carnival Fun – joining in the celebrations of Worthing carnival.
9. Ageing Well – Community support and events for older people in partnership with Guild Care.
10. Community football – a joint initiative with Brighton and Hove Albion supporting football in the community, coaching schemes and a community football tournament – giving young people the chance to develop their team and leadership skills, as well as providing a free fun day out for families.

Operating and financial review (continued)

Key achievements

Last year we appointed the National Housing Federation Feedback service to carry out our 2 yearly 'STATUS' survey. Status is a standardised tenant satisfaction survey. The survey demonstrated convincingly that Worthing Homes' tenants believe that the company is providing an excellent housing service. 97% of respondents would describe Worthing Homes as a good landlord. The survey also demonstrates that we are continuing to out perform the national average and lead our peer group of high achieving landlords.

We demonstrate our commitment to the neighbourhoods in which we work through resident involvement, community development and direct investment in community led projects. In the last year we have worked with residents, staff and other local stakeholders to review our resident involvement strategy. The resource centre, a community facility provided to address issues of social exclusion, promote social cohesion and learning has grown both in terms of number of users and the range of activities provided. In the last year these have included learn direct courses, NVQs, literacy for people with learning disabilities and digital art.

The community house in East Worthing, which is an area where there are high levels of multiple deprivation, is another of our community projects. This is a multi-agency project lead by Worthing Homes and Spurgeons to provide support and facilities for the local community. It provides a wide range of activities from arts and craft for children, homework support, through to English for speakers of other languages and a weekly community coffee morning. The hard work and commitment of the 2 original volunteers has been recognised by both local and national awards. Lord Sebastian Coe presented Mick and Chriss Smith with the News of the World's Children's champion individual award in London after they had visited 10 Downing Street. Shortly after this they were presented with the local radio station, Splash FM, Gold award. The house was also in the final shortlist for the prestigious BURA (British Urban Regeneration Award) award.

Our services to older people through our Care Services teams continue to develop to provide effective service. Our Telecare service that enables people, especially older and vulnerable people, to live independently in their own home has been accredited by the Telecare Services Association. The Telecare Services Association works closely with government to oversee standards and strategy. RedAssure worked with the Telecare Services Association to help develop a new code of practice and became the first organisation RedAssure in the Country to be accredited at this level.

Corporate and social responsibility

The company recognises the need to develop its business in a sustainable manner i.e. the business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs. We aim to make effective use of natural resources and enhance the environment.

We also aim to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which we work to achieve short and long term sustainability.

Operating and financial review (continued)

Employees

The company's ability to meet its objectives depends on the quality and performance of its employees. Worthing Homes is committed to its staff and continues to invest in developing the skills and knowledge of its entire staff. The company is an accredited Investor in People. Staff are kept informed of the performance of the company and matters affecting them as employees through the staff consultative committee, staff briefings and team meetings.

The company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability. Applications for employment by disabled persons are encouraged and are always fully considered, having regard to their particular aptitudes and abilities.

During the year ended 31 March 2009 the average number of people, expressed as full time equivalents, employed by the company was 78 (2008: 77). Information on employees is shown in note 11 to the financial statements.

Health and safety

The health and safety of all staff is of great importance to the company and its health and safety policy is regularly reviewed to ensure that the company complies with all relevant legislation and best practice.

Key performance indicators

	2009 Actual	2009 Target	2008 Actual
Customer feedback			
Reactive maintenance surveys	97%	90%	95%
Planned maintenance surveys	95%	90%	93%
RedAssure feedback	100%	90%	100%
Arrears			
Current tenants arrears (net of Housing Benefit due)	1.8%	1.9%	1.9%
Current tenants arrears	3.6%	2.6%	3.6%
Former tenants arrears	0.5%	0.5%	0.5%
Empty homes and lettings			
Average relet time for lettable vacant dwellings (empty homes)	23 days	19 days	19 days
Percentage of properties vacant and available	0.2%	0.3%	0.2%
Rent lost due to vacant dwellings	0.7%	1.1%	1.1%
Property maintenance			
Emergency repairs completed within target (1 day)	99.3%	99.3%	99.5%
Urgent repairs completed within target (7 days)	96.8%	97.6%	97.7%
Routine repairs completed within target (28 days)	94.2%	96.9%	95.0%

Operating and financial review (continued)

Financial review of the year

The core social business continues to operate strongly, and the board is pleased to report a surplus for the year of £627,000 (2008: £654,000).

The company's turnover has increased by 5% to £12million. This is a combination of the rents on the new homes added during the year together with rent increases where our social housing rents are converging with target rents in accordance with the Government's rent restructuring programme, in order to meet targets by 2012.

The company has, for the first time, adopted the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008'. As a consequence a change has been made to the accounting for shared ownership properties. Under the revised policy, the sales proceeds of £341,000 (2008: £327,000) of the first tranche of a shared ownership property are treated as turnover and the cost of £263,000 (2008: £320,000), based on the proportion of equity sold, included within cost of sales.

The turnover from the RedAssure service has increased by 28% to £341,000 (2008: £267,000). This year the service has generated a surplus of £36,000 compared to deficits in previous years (2008: deficit of £5,000). We are continuing to invest in the service and the business plan forecasts surpluses for future years.

The operating costs have increased by 4% to £7.7million. This reflects a substantial increase in investment in planned major repairs and improvements works which increased by £300,000 to £1.6million. Investment in our homes is a priority and a total of £3.6million was spent during the year through maintenance and repairs (including major repairs works). At the end of the year over 98% of our homes met the Government's Decent Homes Standard, and with the appropriate planned investment we aim to meet the standard in full by 2010.

The company continued its growth strategy during the year, with 50 additional general needs social rented homes being acquired or newly developed at a cost of £6million. The development programme is ongoing with 134 homes with total cost £19million on site at 31 March 2009.

The company is an equal member of the Sappling Housing Partnership, which remains a preferred partner with the Homes and Communities Agency for 2008/2011. Sappling successfully received a grant funding allocation of £41million for developments of new homes over 2 years.

The low level of sales of rented properties continued this year and there were no sales of in the year under the Right To Buy and Right To Acquire schemes and so no surplus on sale of properties.

Housing development and other fixed assets

Capital expenditure on the purchase and construction of new homes amounted to £11million during the year (2008: £9million). The capital expenditure was financed principally by capital grants of £2million (2008: £3million) and loans drawn of £7million (2008: £6million).

Details of changes in other fixed assets are shown in note 15 to the financial statements.

Financing and treasury management

The company has a loan facility of £100million with Lloyds Banking Group. At 31 March 2009 the company had drawn loans totalling £75million (2008: £67million); the remaining loan facility of £25million will be used to finance forecast development costs over the next 3 years. Details of the loan facility are shown in note 23.

The company's treasury strategy now includes £43million (58% of loans drawn) at fixed rates. A further £10million (13% of loans drawn) is linked to inflation, taking the total amount at fixed interest rates or with inflation linked interest rates to £53million (71% of loans drawn).

Operating and financial review (continued)

Five year financial summary

(Restated financial results – note 10)

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Income and expenditure (£'000)					
Total turnover	11,973	11,429	10,904	10,449	8,883
Operating surplus before interest	3,978	3,662	3,319	3,385	2,819
Surplus / (deficit) for the financial year	627	654	(1,159)	232	232
Balance sheet (£'000)					
Tangible fixed assets	98,299	86,445	76,969	70,071	61,046
Social housing grant and other capital grants	17,289	15,336	12,365	10,010	7,361
Loans	74,574	67,174	61,074	57,700	51,900
Reserves	299	(653)	(936)	(330)	(227)
Cash flow (£'000)					
Investment in new housing properties during the year	10,704	9,294	6,998	8,939	10,599
Social housing grant received during the year	1,953	2,813	2,355	2,649	1,491
Loans received during the year	7,400	6,100	3,374	5,800	8,700
Number of homes					
Total homes owned	2,708	2,672	2,621	2,584	2,482
Total homes owned or managed	3,002	2,966	2,906	2,873	2,770
New homes completed during the year	50	59	49	112	68
Financial statistics					
Surplus / (deficit) for the financial year as % of turnover	5.2%	5.7%	(10.6%)	2.2%	2.6%
Operating surplus before interest per home owned	£1,469	£1,371	£1,266	£1,310	£1,136
Interest cover before depreciation <i>(operating surplus before charging depreciation divided by net interest payable)</i>	1.4	1.4	1.2	1.3	1.3
Interest cover after depreciation <i>(operating surplus after charging depreciation divided by net interest payable)</i>	1.2	1.2	1.0	1.0	1.0
Gearing <i>(total loans less current asset investments as % of tangible fixed assets)</i>	76%	78%	79%	82%	83%
Loans drawn per home owned	£27,538	£25,140	£23,302	£22,330	£20,911

Operating and financial review (continued)

Principal risks and uncertainties

The board reviews the company's risk management policy annually. The company's attitude to risk is that it is prepared to accept risk where there is no significant threat to the long term viability of the business. Day to day operational risk is controlled through the company's standing orders and procedures.

The board has established a strategic risk map based on the corporate plan which is monitored at each governance and audit committee meeting and reviewed in depth annually by the board.

The board has identified the following factors as principal potential risks to the successful operation of the business.

Economic and market risks:

The last year has seen continued upheaval in the financial sector caused by the banks exposure to high risk, low quality debt. The resulting "credit crunch" together with the recession and the falls in house prices have led to major uncertainty in all sectors of the housing industry.

This has an impact on shared ownership developments. The lending restrictions being imposed by banks and building societies are making it more difficult to obtain mortgages. Shared ownership applicants may suffer adversely from this as they are unlikely to have an adequate deposit and may be considered higher risk. The difficulty in selling shared ownership homes means that alternative uses were put in place and during this year 25 new homes were let as intermediate rented homes rather than sold as shared ownership homes. In the coming year a further 24 new homes will also be converted to intermediate rented homes. The company's exposure to shared ownership is limited to these homes with no other shared ownership schemes currently in progress.

The other major area of concern is the fall in house prices generally and its impact on the viability of new development opportunities. Development assumptions are regularly reviewed to ensure they reflect the market and future opportunities will continue to be fully appraised in the light of prevailing market conditions to ensure they are viable.

Treasury risks:

In the current financial climate the number of banks and building societies wanting to lend to housing associations has declined. This means there is less money available to borrow and what is available is being lent at a higher margin. For Worthing Homes, having re-financed in 2007, it is in reasonably strong financial position in the short to medium term. It has a £100million facility of which £75million is currently drawn. It can therefore continue its planned development programme of around 50 new properties a year for the next 3 years at least. Sound treasury management will therefore remain a key element of the business development and the board will receive regular updates and advice from Tribal Treasury Services, our treasury advisers, to ensure it manages the current financial situation as effectively as possible.

Future plans

Worthing Homes will continue to provide low cost housing in Worthing and the surrounding areas and to explore new and innovative ways of providing housing related services to its tenants and the community at large. The company will also continue to maintain the substantial investment in existing stock through maintenance and major repairs programmes.

The company plans to grow and build new homes. With the changing grant regime and uncertain housing market all future development proposals will receive additional scrutiny to minimise risk. We are however still committed to providing shared ownership homes and homes at intermediate rent as well as social rented housing in the area.

Statement of compliance

In preparing this operating and financial review and board report, the board has followed the principles set out in the SORP 2008.

Independent auditors' report to the members of Worthing Homes Limited

We have audited the financial statements of Worthing Homes Limited for the year ended 31 March 2009 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with the regulations made under section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board directors and auditors

The responsibilities of the board for preparing the report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the board.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the board report is consistent with the financial statements. The information given in the board report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the board report.

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

We read the information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the board report and the operating and financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

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

Independent auditors' report to the members of Worthing Homes Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the board report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom

Date:

Income and expenditure account
For the year ended 31 March 2009

	Note	2009 £'000	2008 Restated (note 10) £'000
Turnover	4	11,973	11,429
Cost of sales	4	(263)	(320)
Operating costs	4	(7,732)	(7,447)
Operating surplus	6	3,978	3,662
Surplus on sale of housing properties	7	-	71
Interest receivable and similar income	8	20	30
Interest payable and similar charges	9	(3,371)	(3,109)
Surplus for the financial year		627	654

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

The notes on pages 18 to 37 form part of these financial statements.

The financial statements on pages 14 to 37 were approved by the board on 9 July 2009 and were signed on its behalf by:

Chair – Paul Stanforth

Vice Chair – Virginia Hewlett

Company Secretary – Robin King

Statement of total recognised surpluses and deficits
For the year ended 31 March 2009

		2009	2008
	Note	£'000	Restated (note 10) £'000
Surplus for the financial year		627	654
Other recognised surpluses and deficits relating to pension scheme			
Actual return less expected return on pension scheme assets		(1,235)	(464)
Experience surpluses and deficits arising on scheme liabilities		-	416
Changes in assumptions underlying the present value of scheme liabilities		1,560	(323)
Actuarial surplus / (deficit) relating to pension scheme	13	325	(371)
		952	283
Total recognised surpluses and deficits relating to the year		952	283
Prior year adjustment	10	(67)	
Total surpluses and deficits recognised since the last annual report and financial statements		885	

Balance sheet

As at 31 March 2009

	Note	2009 £'000	2008 Restated (note 10) £'000
Tangible fixed assets			
Housing properties at cost	14	98,299	86,445
Social Housing Grant	14	(17,289)	(15,336)
Depreciation	14	(4,721)	(4,114)
		<hr/>	<hr/>
		76,289	66,995
Other fixed assets	15	1,624	1,666
		<hr/>	<hr/>
		77,913	68,661
Current assets			
Stocks	16	4	3
Properties for sale	17	-	161
Debtors	18	493	586
Cash at bank and in hand		1,064	1,161
		<hr/>	<hr/>
		1,561	1,911
Creditors: Amounts falling due within one year	19	(2,885)	(2,023)
		<hr/>	<hr/>
Net current liabilities		(1,324)	(112)
		<hr/>	<hr/>
Total assets less current liabilities		76,589	68,549
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	20	74,735	67,374
Pension liability	13	1,555	1,828
		<hr/>	<hr/>
		76,290	69,202
		<hr/>	<hr/>
Capital and reserves			
Share capital	24	-	-
Designated reserve	25	-	5
Revenue reserve	25	299	(658)
		<hr/>	<hr/>
Total shareholders' funds		299	(653)
		<hr/>	<hr/>
		76,589	68,549
		<hr/>	<hr/>

The financial statements on pages 14 to 37 were approved by the board on 9 July 2009 and were signed on its behalf by:

Chair – Paul Stanforth

Vice Chair – Virginia Hewlett

Company Secretary – Robin King

Cash flow statement

For the year ended 31 March 2009

	2009	2008
Note	£'000	Restated (note 10) £'000
Net cash inflow from operating activities	27	4,494
Returns on investments and servicing of finance		
Interest received	20	30
Interest paid	(3,570)	(3,291)
Net cash outflow from returns on investments and servicing of finance	(3,550)	(3,261)
Capital expenditure and financial investment		
Investment in housing properties	(10,704)	(9,294)
Social housing grant received	1,953	2,813
Purchase of other fixed assets	(151)	(317)
Net (payment) of Right To Buy clawback to Worthing Borough Council / receipts from sale of housing properties	(317)	197
Net cash outflow from capital expenditure and financial investment	(9,219)	(6,601)
Net cash outflow before financing	28	(5,368)
Financing		
Housing loans received	7,400	6,100
(Decrease) / increase in cash in the year	29	732

Notes to the accounts

For the year ended 31 March 2009

1. Legal status

Worthing Homes Limited is a company limited by shares, is registered with the Tenant Services Authority as a Registered Provider and is a registered charity with the Charities Commission.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and in accordance with the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008' and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006. The financial statements are prepared on a going concern basis, details of which are given in the Operating and Financial Review and Board Report on page 5.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Change to accounting policies

The company has, for the first time, adopted the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008'. As a consequence a change has been made to the accounting for shared ownership properties. Under the revised policy, the sales proceeds of the first tranche of a shared ownership property are treated as turnover and the cost, based on the proportion of equity sold, included within cost of sales. These are accounted for within the income and expenditure account of the period of sale. Under the former policy sales proceeds were netted against the cost of the property held as a fixed asset. The impacts of these changes are disclosed within note 10.

Turnover

Turnover represents rental and service charge income receivable, first tranche sales of shared ownership properties, other goods and services supplied, and fees and grants from local authorities.

Value Added Tax ('VAT')

The company is VAT registered but the majority of its income, being housing rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation based on turnover. In the year 9% (2008: 10%) of VAT incurred was reclaimed. Turnover is stated excluding VAT, and costs exclude VAT to the extent that a recovery can be made under partial exemption rules. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development and after deduction of interest on social housing grant in advance.

Notes to the accounts (continued)

For the year ended 31 March 2009

2. Accounting policies (continued)

Right To Buy and Right To Acquire income and sales

Surpluses and deficits arising from the disposal of properties under the Right To Buy legislation are disclosed on the face of the income and expenditure account after the operating result and before interest. On the occurrence of a sale a relevant proportion of the proceeds is clawed back by Worthing Borough Council. The surplus or deficit is calculated by comparing net proceeds received by the company with the carrying value of the property sold.

The net proceeds of Right To Acquire sales are transferred to the Disposal Proceeds Fund within creditors to be recycled as grants against future development schemes. Interest is added to the fund from the date of the sale.

Pension costs

The company participates in the defined benefit Local Government Pension Scheme administered by Essex County Council. Pension costs are assessed in accordance with the advice of a qualified actuary.

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

Commencing from April 2002, new employees are offered a defined contribution stakeholder pension with Norwich Union. For this pension scheme the income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Housing loans

Loans are stated in the balance sheet at the amount of the net proceeds. Finance costs, including incremental issue costs, are deducted from the loan and amortised over the term of the loan.

Stocks

Stocks are shown at the lower of cost and net realisable value.

Development administration costs

Indirect development administration costs are charged to the income and expenditure account. Direct development administration costs are capitalised to schemes under construction where the outcome of the scheme is certain and where the costs are in accordance with the SORP criteria for capitalisation. Where the scheme is uncertain or aborted, the direct development administration costs are charged to the income and expenditure account.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (HCA, formerly the Housing Corporation) and is utilised to reduce the capital cost of housing properties, including land costs. Where grants are paid in advance, they are included in creditors until the related capital expenditure is incurred.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Notes to the accounts (continued)

For the year ended 31 March 2009

2. Accounting policies (continued)

Other grants

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

Impairment

Housing properties are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

Fixed assets – housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. The cost of the properties includes the following:

- Cost of acquiring land and buildings or purchase price;
- Development administration expenditure and interest on development working capital; and
- Catch up repairs and improvement costs.

Major repairs and improvements which result in an increase in the net rental income, a reduction in future maintenance costs or a significant extension of life of the property have been capitalised. Other works are charged to repairs.

Shared ownership properties are split proportionately between fixed and current assets based on the proportion of the share of equity expected to be sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as a fixed asset. If the surplus on sale of the first tranche is expected to exceed the overall surplus on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the surplus earned to the overall surplus. Social Housing Grant receivable for second or subsequent tranches is recorded against the cost of the fixed asset.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is charged on a straight line basis to write down the cost (net of Social Housing Grant) of housing properties to their estimated residual value over the following estimated useful economic lives in the business.

Traditional general needs stock (post 1980)	-	100 years
Traditional general needs stock (1964-1980)	-	100 years
Traditional general needs stock (1946-1964)	-	75 years
Traditional general needs stock (pre war)	-	50 years
Non-traditional construction units	-	25 years

Depreciation is not provided on assets in the course of construction. These are stated at cost and transferred to housing properties when completed.

Notes to the accounts (continued)

For the year ended 31 March 2009

2. Accounting policies (continued)

Other fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis to write off the cost over the following expected useful economic lives of the assets:

Freehold property	-	50 years
Equipment	-	2 - 10 years
Office furniture	-	7 years
Motor vehicles	-	7 years
Computer hardware	-	4 years
Computer software	-	3 years

Properties for sale

Completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. Unsold properties are classified as current assets in the balance sheet.

3. Accommodation in management

The number of homes at the end of the year

	2009 Number	2008 Number
Social housing owned and managed		
General needs housing	2,333	2,326
Sheltered accommodation	215	216
Shared ownership	59	53
Total owned and managed	2,607	2,595
Social housing managed but owned by others		
Accommodation managed on behalf of other landlords	76	76
Total social housing managed	2,683	2,671
Other homes		
Social housing owned but managed by others	31	33
Non social housing owned and managed – intermediate rent	45	19
Non social housing owned but managed by others – key worker	25	25
Leaseholders	218	218
Total homes	3,002	2,966

Notes to the accounts (continued)

For the year ended 31 March 2009

4. Turnover, cost of sales, operating costs and operating surplus

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Year ended 31 March 2009				
Social housing lettings (note 5)	10,800	-	(7,075)	3,725
Other social housing activities				
Garages	141	-	(45)	96
Maintenance services	13	-	(15)	(2)
Development	-	-	(131)	(131)
Shared ownership first tranche sales	341	(263)	-	78
Other	80	-	(45)	35
	<u>575</u>	<u>(263)</u>	<u>(236)</u>	<u>76</u>
Non-social housing activities				
Key worker lettings	140	-	(40)	100
Intermediate rent	96	-	(55)	41
RedAssure telecare service	341	-	(305)	36
Other	21	-	(21)	-
	<u>598</u>	<u>-</u>	<u>(421)</u>	<u>177</u>
	<u>11,973</u>	<u>(263)</u>	<u>(7,732)</u>	<u>3,978</u>
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Year ended 31 March 2008 (Restated – note 10)				
Social housing lettings (note 5)	10,304	-	(6,881)	3,423
Other social housing activities				
Garages	135	-	(53)	82
Maintenance services	9	-	(14)	(5)
Development	80	-	(144)	(64)
Shared ownership first tranche sales	327	(320)	-	7
Other	69	-	(30)	39
	<u>620</u>	<u>(320)</u>	<u>(241)</u>	<u>59</u>
Non-social housing activities				
Key worker lettings	140	-	(21)	119
Intermediate rent	72	-	(20)	52
RedAssure telecare service	267	-	(272)	(5)
Other	26	-	(12)	14
	<u>505</u>	<u>-</u>	<u>(325)</u>	<u>180</u>
	<u>11,429</u>	<u>(320)</u>	<u>(7,447)</u>	<u>3,662</u>

Notes to the accounts (continued)

For the year ended 31 March 2009

5. Income and expenditure from social housing lettings

	General needs housing	Supported housing and housing for older people	Low cost home ownership	Management services	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	9,118	632	153	-	9,903	9,430
Service income	327	231	-	-	558	527
Charges for support services	-	292	-	-	292	295
Net rental income	<u>9,445</u>	<u>1,155</u>	<u>153</u>	<u>-</u>	<u>10,753</u>	<u>10,252</u>
Management services	-	-	-	47	47	52
Turnover from social housing lettings	<u>9,445</u>	<u>1,155</u>	<u>153</u>	<u>47</u>	<u>10,800</u>	<u>10,304</u>
Expenditure on social housing lettings						
Management	(1,666)	(226)	(30)	(50)	(1,972)	(1,873)
Service costs	(336)	(503)	-	-	(839)	(890)
Responsive maintenance	(1,113)	(103)	-	-	(1,216)	(1,307)
Cyclical maintenance	(560)	(52)	-	-	(612)	(689)
Major repairs expenditure	(1,408)	(139)	-	-	(1,547)	(1,259)
Bad debts	(92)	(6)	-	-	(98)	(42)
Depreciation of housing properties	(523)	(48)	(13)	-	(584)	(580)
Other costs	(207)	-	-	-	(207)	(241)
Operating costs on social housing lettings	<u>(5,905)</u>	<u>(1,077)</u>	<u>(43)</u>	<u>(50)</u>	<u>(7,075)</u>	<u>(6,881)</u>
Operating surplus on social housing lettings	<u>3,540</u>	<u>78</u>	<u>110</u>	<u>(3)</u>	<u>3,725</u>	<u>3,423</u>
Void losses – rent lost through homes being empty	<u>(52)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(76)</u>	<u>(106)</u>

Notes to the accounts (continued)
For the year ended 31 March 2009

6. Operating surplus

	2009	2008
	£'000	£'000
Operating surplus is stated after charging:		
Depreciation		
- housing properties	607	597
- other tangible fixed assets	193	183
Auditors' remuneration (including VAT)		
- fees payable to the company's auditors for the audit of the company's annual accounts	20	20
- fees payable to the company's auditors in respect of other services	-	1
	<hr/>	<hr/>

7. Surplus on sale of housing properties

	2009	2008
	£'000	£'000
Right To Buy, Right To Acquire and shared ownership staircasing sales		
Proceeds of sale	-	858
Net book value of properties sold	-	(262)
Transfer to Disposal Proceeds Fund (note 21)	-	(183)
Other operating costs and costs of disposal (including Right To Buy clawback)	-	(342)
Surplus on sale of housing properties	<hr/>	<hr/>
	-	71
	<hr/>	<hr/>

8. Interest receivable and similar income

	2009	2008
	£'000	£'000
Interest receivable	20	30
	<hr/>	<hr/>

9. Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest on bank loans wholly or partly repayable in more than 5 years	3,561	3,336
Amortisation of loan arrangement fee	5	5
Net interest charge relating to pension scheme	87	22
	<hr/>	<hr/>
Less interest capitalised	3,653	3,363
	(282)	(254)
	<hr/>	<hr/>
	3,371	3,109
	<hr/>	<hr/>

Notes to the accounts (continued)

For the year ended 31 March 2009

10. Prior year adjustment

The policy for accounting for shared ownership properties was changed during the year to reflect the Statement of Recommended Practice, 'Accounting for Registered Social Landlords 2008'. The sales proceeds for the first tranche sale of such properties is included within turnover and the cost or carrying value of the property is included within cost of sales.

The effects of the change in policy are summarised below:

	2009	2008
	£'000	£'000
Income and expenditure account		
Turnover	341	327
Cost of sales	(263)	(320)
Operating surplus	<u>78</u>	<u>7</u>
Balance sheet		
Fixed assets – housing properties	-	(228)
Current assets – properties for sale	-	161
Revenue reserves	<u>-</u>	<u>(67)</u>

11. Employee information

The number of persons employed (excluding board members) is shown below. The full time equivalent (FTE) number of staff is calculated based on a full time equivalent being a 35 hour week.

	2009		2008	
	FTE	Actual	FTE	Actual
Administration	15	16	15	16
Development	3	3	3	3
Direct workforce	13	12	13	12
Scheme based staff	10	14	9	13
Housing, support and care	37	37	37	37
	<u>78</u>	<u>82</u>	<u>77</u>	<u>81</u>

The salary costs for the above persons and for the board members were:

	2009	2008
	£'000	£'000
Wages and salaries	1,888	1,896
Social security costs	174	166
Pension costs	202	234
	<u>2,264</u>	<u>2,296</u>

The pension costs shown for the year are comprised of the total operating charge of the defined benefit scheme plus the employer's contribution towards the defined contribution scheme (see note 13).

Notes to the accounts (continued)
For the year ended 31 March 2009

12. Board members and executive directors

The emoluments of the board members and executive directors (including taxable benefits and pension costs, excluding national insurance) were as follows:

	2009 £'000	2008 £'000
Board members	29	25
Executive directors	322	301
	<hr/> 351	<hr/> 326

Board members are eligible for remuneration in accordance with the guidelines set by the Tenant Services Authority. None of the board members nominated by Worthing Borough Council has received any remuneration from the company. The emoluments of the individual board members (including taxable benefits, excluding pension costs and national insurance) were as follows:

	2009 £'000	2008 £'000
Paul Stanforth	6	6
Virginia Hewlett	4	4
Councillor Noel Atkins	-	-
Jean Balfour	2	1
Councillor Ann Barlow	-	-
Iain Flitcroft	3	1
Bernard Notley	3	2
Christopher Polden	4	4
Neville Pressley	-	1
Councillor John Rogers	-	-
Councillor Jack Saheid	-	-
Councillor Kevin Skepper	-	-
Christopher Spratt	1	2
Linda Susdorf	3	2
Mark Swindall	3	2
	<hr/> 29	<hr/> 25

The emoluments of the highest paid executive director, the Chief Executive, (including taxable benefits, excluding pension costs and national insurance) were as follows:

	2009 £'000	2008 £'000
Robin King	88	85

In both years all executive directors were members of the Local Government Pension Scheme administered by Essex County Council on the same terms as all other eligible staff.

Notes to the accounts (continued)

For the year ended 31 March 2009

13. Pensions

Local Government Pension Scheme administered by Essex County Council

The company participates in a defined benefit scheme, the assets of which are held in separately administered funds under the regulations governing the Local Government Pension Scheme. The scheme is a multi employer scheme with more than one participating employer, and is administered by Essex County Council. Commencing from April 2002, new employees are offered a defined contribution stakeholder pension with Norwich Union, for which the employer contributions during the year were £24,000 (2008: £16,000).

Triennial actuarial valuation at 31 March 2007

Triennial actuarial valuations of the Local Government Pension Scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal valuation of the Essex County Council scheme was completed as at 31 March 2007.

The total value of the Essex County Council scheme assets at 31 March 2007 was £3,043million and the level of funding was 80%. The main actuarial assumptions used in the valuation were:

	Past service	Future service
Investment returns (pre-retirement)	6.9% per annum	6.5% per annum
Investment returns (post retirement)	5.4% per annum	6.5% per annum
Salary increases	4.6% per annum	4.25% per annum
Pensions in payment increases	3.1% per annum	2.75% per annum

The employer's contributions to the Essex County Council scheme by Worthing Homes Limited for the year ended 31 March 2009 were £213,000 (2008: £231,000). From April 2009, the employers' contribution rate for Worthing Homes Limited was fixed as an ongoing contribution rate of 12.7% of pensionable pay, plus a further £100,000 p.a. to reduce the deficit.

The next actuarial valuation is to take place as at 31 March 2010.

Financial Reporting Standard 17 (FRS17) valuation of Essex County Council fund as a whole

The disclosures regarding the Local Government Pension Scheme required under the provisions of FRS17 'Retirement Benefits' are set out below. In order to assess the FRS17 actuarial valuation of the scheme's liabilities at 31 March 2009 the actuary has rolled forward the actuarial value of the liabilities reported as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS17.

The following assumptions have been used by the actuary solely for this FRS17 disclosure:

	31 March 2009 % p.a.	31 March 2008 % p.a.	31 March 2007 % p.a.
Rate of increase in salaries	4.8%	5.1%	4.6%
Rate of increase in pensions in payment	3.3%	3.6%	3.1%
Discount rate	7.1%	6.1%	5.4%
Inflation assumption	3.3%	3.6%	3.1%

Notes to the accounts (continued)

For the year ended 31 March 2009

13. Pensions (continued)

Financial Reporting Standard 17 (FRS17) valuation of Essex County Council fund as a whole (continued)

The market value of fund assets and expected rates of return for the Essex County Council fund as a whole were:

	Value 31 March 2009 £million	Expected return 31 March 2009 %	Value 31 March 2008 £million	Expected return 31 March 2008 %	Value 31 March 2007 £million	Expected return 31 March 2007 %
Equities	1,744	7.5%	2,055	7.5%	2,034	7.5%
Government bonds	204	4.0%	275	4.6%	291	4.7%
Other bonds	124	6.0%	193	6.1%	185	5.4%
Property	229	6.5%	313	6.5%	367	6.5%
Cash/liquidity	40	0.5%	91	5.25%	59	5.25%
Total market value of assets for total fund	2,341		2,927		2,936	

Financial Reporting Standard 17 (FRS17) valuation for Worthing Homes Limited

The following fair values of assets and liabilities have been calculated by the actuary for the element relating solely to Worthing Homes Limited:

	2009 £'000	2008 £'000	2007 £'000
Fair value of the portion of the assets relating to Worthing Homes Limited	3,592	4,304	4,238
Actuarial value of liabilities relating to Worthing Homes Limited	(5,147)	(6,132)	(5,644)
Deficit in the scheme	(1,555)	(1,828)	(1,406)
Net pension liability	(1,555)	(1,828)	(1,406)

Analysis of the amount that is charged to operating surplus:

	2009 £'000	2008 £'000
Current service cost	(178)	(155)
Past service cost	-	(57)
Curtailment loss	-	(48)
Total operating charge	(178)	(260)

Notes to the accounts (continued)
For the year ended 31 March 2009

13. Pensions (continued)

Financial Reporting Standard 17 (FRS17) valuation for Worthing Homes Limited (continued)

Analysis of the amount that is charged to interest payable and similar charges:

	2009 £'000	2008 £'000
Expected return on pension scheme assets	293	285
Interest on pension scheme liabilities	(380)	(307)
Net charge	<u>(87)</u>	<u>(22)</u>

History of experience gains and losses:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on scheme assets:					
Amount £'000	(1,235)	(464)	158	469	127
Percentage of scheme assets	34.4%	10.8%	3.7%	12.6%	4.5%
Experience gains and losses on scheme liabilities:					
Amount £'000	-	416	-	(217)	392
Percentage of scheme liabilities	0.0%	6.8%	0.0%	3.8%	8.7%
Total amount that would be recognised in the statement of total recognised surpluses and deficits:					
Amount £'000	325	(371)	553	(335)	56
Percentage of scheme liabilities	6.3%	6.1%	9.8%	5.9%	1.2%

Movement in deficit during the year:

	2009 £'000	2008 £'000
Deficit in scheme at the beginning of the year	(1,828)	(1,406)
Movement in year:		
Current service cost	(178)	(155)
Contributions	213	231
Past service / curtailment / settlement loss	-	(105)
Other finance costs	(87)	(22)
Actuarial surplus / (deficit)	325	(371)
Deficit in scheme at the end of the year	<u>(1,555)</u>	<u>(1,828)</u>

Notes to the accounts (continued)

For the year ended 31 March 2009

13. Pensions (continued)

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation in March 2009 are based on the PA92 series projected to 2017 for non-pensioners. There were 8 current pensioners in the year ending 31 March 2009. The assumed life expectations on retirement at age 65 are:

		Number of years
Retiring today	Males	22.0
	Females	24.8
Retiring in 20 years	Males	23.1
	Females	25.9

Sensitivity analysis

The assumption considered to be the most significant is the discount rate. If the discount rate in the scheme was to decrease by 0.1% then it is predicted that the deficit in the scheme would increase by approximately £105,000.

Notes to the accounts (continued)

For the year ended 31 March 2009

14. Fixed assets – housing properties

	Freehold housing property	Housing properties under construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2008 as previously stated	79,107	7,566	86,673
Prior year adjustment (note 10)	(67)	(161)	(228)
At 1 April 2008 as restated	79,040	7,405	86,445
Additions	109	11,642	11,751
Improvements	103	-	103
Schemes completed	6,110	(6,110)	-
At 31 March 2009	85,362	12,937	98,299
Social Housing Grant			
At 1 April 2008	13,221	2,115	15,336
Additions	177	1,776	1,953
Schemes completed	884	(884)	-
At 31 March 2009	14,282	3,007	17,289
Depreciation			
At 1 April 2008	4,114	-	4,114
Charge for the financial year	607	-	607
At 31 March 2009	4,721	-	4,721
Net book value			
At 31 March 2009	66,359	9,930	76,289
At 31 March 2008	61,705	5,290	66,995

Capitalised interest

Additions to housing properties during the year included interest of £282,000 (2008: £254,000) which was capitalised at an average rate of 4.8% (2008: 6.1%). Cumulative interest capitalised to date: £1,104,000 (2008: £822,000).

Expenditure on major repairs and improvements works to existing properties

	2009 £'000	2008 £'000
Amounts capitalised	103	94
Amounts charged to income and expenditure account	1,549	1,265
Total cost of major repairs and improvements works to existing properties	1,652	1,359

Notes to the accounts (continued)

For the year ended 31 March 2009

15. Fixed assets – other

	Freehold property £'000	Furniture & equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2008	1,377	453	136	430	2,396
Additions	51	32	23	45	151
At 31 March 2009	<u>1,428</u>	<u>485</u>	<u>159</u>	<u>475</u>	<u>2,547</u>
Depreciation					
At 1 April 2008	107	262	71	290	730
Charge for the financial year	22	59	19	93	193
At 31 March 2009	<u>129</u>	<u>321</u>	<u>90</u>	<u>383</u>	<u>923</u>
Net book value					
At 31 March 2009	<u>1,299</u>	<u>164</u>	<u>69</u>	<u>92</u>	<u>1,624</u>
At 31 March 2008	<u>1,270</u>	<u>191</u>	<u>65</u>	<u>140</u>	<u>1,666</u>

16. Stocks

	2009 £'000	2008 £'000
RedAssure equipment purchased for resale	4	3

17. Properties for sale

	2009 £'000	2008 Restated (note 10) £'000
Shared ownership schemes – completed properties	-	161

18. Debtors – Amounts due within one year

	2009 £'000	2008 £'000
Rents and service charges receivable	528	539
Less provision for bad and doubtful debts	(136)	(141)
	<u>392</u>	<u>398</u>
Other debtors	158	227
Less provision for bad and doubtful debts	(111)	(76)
Prepayments and accrued income	54	37
	<u>493</u>	<u>586</u>

Notes to the accounts (continued)

For the year ended 31 March 2009

19. Creditors – Amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	1,210	246
Rents and service charges received in advance	119	82
Right To Buy sale proceeds due to Worthing Borough Council	-	317
Disposal Proceeds Fund (note 21)	26	-
Recycled Capital Grant Fund (note 22)	30	-
Other taxation and social security costs	64	71
Other creditors	575	443
Interest payable	35	56
Accruals	826	808
	<hr/> 2,885	<hr/> 2,023
	<hr/> <hr/>	<hr/> <hr/>

20. Creditors – Amounts falling due after more than one year

	2009 £'000	2008 £'000
Disposal Proceeds Fund (note 21)	198	216
Recycled Capital Grant Fund (note 22)	97	123
Housing loans (note 23)	74,440	67,035
	<hr/> 74,735	<hr/> 67,374
	<hr/> <hr/>	<hr/> <hr/>

21. Disposal Proceeds Fund

	2009 £'000	2008 £'000
At 1 April	216	262
Additions from Right To Acquire sales (note 7)	-	183
Interest accrued	8	21
Fund utilised on new development schemes	-	(250)
At 31 March	<hr/> 224	<hr/> 216
	<hr/> <hr/>	<hr/> <hr/>
Creditors: amounts falling due within one year	26	-
Creditors: amounts falling due after more than one year	198	216
	<hr/> 224	<hr/> 216
	<hr/> <hr/>	<hr/> <hr/>

Section 24 of the Housing Act 1996 requires registered social landlords to credit to a Disposal Proceeds Fund the net proceeds of Right To Acquire sales. The purpose of the Disposal Proceeds Fund is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If the net proceeds remain unspent after the third year, the funds become repayable to the Homes and Communities Agency (HCA, formerly the Housing Corporation).

Notes to the accounts (continued)

For the year ended 31 March 2009

22. Recycled Capital Grant Fund

	2009 £'000	2008 £'000
At 1 April	123	27
Additions from sales of grant funded properties	-	92
Interest accrued	4	4
At 31 March	<u>127</u>	<u>123</u>
Creditors: amounts falling due within one year	30	-
Creditors: amounts falling due after more than one year	97	123
	<u>127</u>	<u>123</u>

The Recycled Capital Grant Fund relates to social housing grant previously received on social housing properties that have been sold, demolished or for which there has been a change of use which does not meet the original conditions of the grant. The HCA permits grants to be reinvested within a three year period into schemes within the approved development programme. The HCA requires funds which have not been reinvested within three years to be repaid.

23. Housing loans

The bank loans are repayable in instalments due as follows:

	2009 £'000	2008 £'000
Between two and five years	2,983	1,343
More than five years	71,591	65,831
Bank loans	<u>74,574</u>	<u>67,174</u>
Less net loan arrangement fees	(134)	(139)
	<u>74,440</u>	<u>67,035</u>

The company has total bank loan facilities of £100million (2008: £100million) with Lloyds Banking Group. The bank loans are secured by specific charges on certain of the company's housing properties and by a floating charge over the remaining assets.

£43million of the bank loans are at fixed interest rates ranging from 4.9% to 5.3%. £10million is hedged by a Retail Prices Index (RPI) linked loan. A further £10million is fixed at rates ranging from 4.4% to 4.7% with the bank retaining the right to call the interest rates quarterly. The remaining £11.6million drawn is at floating rates of interest. The final instalments on the loans fall due to be repaid in 2037.

At 31 March 2009 the company had undrawn loan facilities of £25million (2008: £33million).

Notes to the accounts (continued)

For the year ended 31 March 2009

24. Share capital

Shares can be purchased by tenants, Worthing Borough Council and members of the wider community with an interest in the future of Worthing Homes. The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

	2009 £	2008 £
Ordinary shares of £1 each, issued and fully paid		
At 1 April	89	83
£1 Shares issued during the year	2	6
At 31 March	91	89
	91	89

25. Reserves

	Designated reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2008 as previously stated	5	(591)	(586)
Prior year adjustment (note 10)	-	(67)	(67)
As at 1 April 2008 as restated	5	(658)	(653)
Surplus for the financial year	-	627	627
Transfer from designated reserve	(5)	5	-
Other recognised surpluses and deficits	-	325	325
At 31 March 2009	-	299	299
	-	299	299

26. Capital commitments

	2009 £'000	2008 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	9,120	15,486
Capital expenditure that has been authorised by the board but has not been contracted for	-	5,698
	-	5,698

The Board expects that the expenditure will be financed by Social Housing Grant, private funding and the company's own resources.

Notes to the accounts (continued)

For the year ended 31 March 2009

27. Reconciliation of operating surplus to net cash inflow from operating activities

	2009	2008
	£'000	Restated (note 10) £'000
Operating surplus	3,978	3,662
Depreciation	800	780
Deficit on disposal of other fixed assets	-	3
Movement in net pension liability	(35)	29
(Increase) / decrease in stock	(1)	1
Decrease in properties for sale	161	159
Decrease in debtors	93	150
Increase / (decrease) in creditors	276	(290)
Net cash inflow from operating activities	5,272	4,494

28. Reconciliation of net cash flow to movement in net debt

	2009	2008
	£'000	£'000
(Decrease) / increase in cash in the period	(97)	732
Cash inflow from increase in debt	(7,400)	(6,100)
Total changes in net debt in the year	(7,497)	(5,368)
Net debt at 1 April	(66,013)	(60,645)
Net debt at 31 March	(73,510)	(66,013)

29. Analysis of net debt

	1 April 2008 £'000	Cash flow £'000	31 March 2009 £'000
Cash at bank and in hand	1,161	(97)	1,064
Debts falling due after one year	1,161 (67,174)	(97) (7,400)	1,064 (74,574)
Net debt	(66,013)	(7,497)	(73,510)

Notes to the accounts (continued)

For the year ended 31 March 2009

30. Related party disclosure

The company has conducted the following related party transactions in the year:

During the year the company had 3 tenant members of the board (2008: 3 tenant members). Their tenancies are on normal commercial terms and they are not able to use their position to their personal advantage.

During the year the company had 3 Councillor members of the board. All transactions with councils in the districts we work in are made at arm's length under normal commercial terms.

During the course of its business, the company has collected maintenance contribution income on behalf of Pearsons and St Elizabeth's Cottage Homes and forwarded such monies to them. This is a charitable trust which has Worthing Homes Limited as its sole trustee. The outstanding creditor balance at 31 March 2009 was £7,000 (2008: debtor balance of £36,000). Included within this balance there are £4,000 of costs which are also reflected in our trade creditors.

The company earned management charges of £41,000 plus recharged service and support costs of £50,000 (2008: £39,000 plus £50,000 respectively) from Pearsons and St Elizabeth's Cottage Homes during the year.