

COMPANY NO: 3593345

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# **ACIS GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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***◆ Year ended 31 March 2009 ◆***

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**BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS**

**Board:**

Chair John Jenkinson (resigned 17 July 2008)  
Roger Buttery (appointed Interim Chair 17 July 2008,  
appointed Chair 12 September 2008)

Vice Chair Alan Monighan  
Rodney Must (appointed Vice Chair 12 September 2008)

Other Members Richard Barker  
John Cawdell  
Peter Clay  
Bernard Coleman (appointed 29 January 2009)  
Geoff Keen (resigned 17 July 2008)  
Jessie Milne (resigned 17 July 2008)  
Michael Richardson (appointed 12 September 2008)  
Trevor Slack (appointed 12 September 2008)  
David Winn  
Gillian Wing

**Executive officers:**

Chief Executive Valerie Waby  
Finance Director Neil Smurthwaite (resigned 31 October 2008)  
Russell Blenkinsop (appointed 6 April 2009)

Business & Investment Director Neville Thompson (resigned 17 April 2009)  
Operations Director Paul Woollam  
Company Secretary Valerie Waby (resigned as Secretary 6 April 2009)  
Russell Blenkinsop (appointed 6 April 2009)

Registered office: Acis House  
Bridge Street  
Gainsborough  
Lincolnshire  
DN21 1GG  
[www.acisgroup.co.uk](http://www.acisgroup.co.uk)

Registered number: Registered as a non-charitable social landlord under the  
Companies Act 1985, No. 3593345

Registered by the Tenant Services Authority, No. L4229

Auditors: Grant Thornton UK LLP  
Chartered Accountants  
No. 1 Whitehall Riverside  
Leeds  
LS1 4BN

Solicitors: Trowers & Hamlins  
Sceptre Court  
40, Tower Hill  
London  
EC3N 4DX

Cobbetts  
No. 1 Whitehall Riverside  
Leeds  
LS1 4BN

Bankers: National Westminster Bank Plc  
3, Market Place  
Gainsborough  
Lincolnshire  
DN21 2BW

**CORPORATE FRAMEWORK**

**Vision Statement**

“To create opportunities for people to have better lives through the provision of better homes and better services”

**Core Values**

Success is important to us and, so too, is the way in which we achieve it. Our Core Values underpin everything we do. We will be:

<b>Honest</b>	We will be honest, open and fair in all our dealings.
<b>Respectful</b>	We will respect and value the views, ideas, feelings and opinions of everyone we deal with.
<b>Positive</b>	We will be positive in our outlook and everything we do.
<b>Enthusiastic</b>	We will energetically strive to meet customer aspirations and to continuously improve everything we do.
<b>Collaborative</b>	We will work to achieve common goals and objectives by developing and maintaining inclusive, co-operative and positive relationships.
<b>Customer Led</b>	We will be accountable to our customers for the decisions we make and the actions we take and will enable them to positively influence our business.

**Corporate Objectives**

In order to achieve our vision we have developed three key themes and will focus on achieving the following outcomes:

<b>Putting People First</b>	We will deliver accessible, relevant, high quality customer focussed services ; We will promote inclusion and independence ; We will be a knowledgeable and learning organisation ; We will develop and empower our people ; We will deliver business results which demonstrate effective and efficient performance.
<b>Creating better places to live</b>	We will invest in homes and neighbourhoods ; We will develop our environmental sustainability ; We will invest to develop healthy, wealthy and wise communities.
<b>Growing our business</b>	We will develop more homes for more people ; We will maximise opportunities that add value.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT**

**Activities**

Acis Group (the 'Group') consists of one main registered social landlord, Acis Group Limited (the 'Company') and two small subsidiary companies, Acis Properties Limited and Acis Management Limited.

The Group's head office is based in Gainsborough and its properties are primarily in Lincolnshire, South Yorkshire and Nottinghamshire.

The Company is a not for profit company and operates four key business streams:

- 'general needs' housing for rent, primarily by families who are unable to rent or buy at open market rates;
- sheltered housing for people who need additional housing-related support;
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the Company on the remainder; and
- market rented housing, as part of a development agreement with the Ministry of Defence (MOD).

The Group manages over 5,000 properties and is also a developer of new affordable housing. Social Housing Grant (SHG) funding of £5.6m was receiveable in 2008/09 towards the development of 110 affordable housing units via the Blue Skies Development Consortium.

The Group also provided, until 30 June 2009, the housing options service on behalf of West Lindsey District Council, together with community and intruder alarm, utilities payment collection and facilities management services. Social housing activities constitute over 97% of the Group's activities by turnover and remain the Group's focus going forward.

**External influences**

Government policies are aimed at significantly increasing housing supply by widening the availability of social housing grant to the private sector; extending opportunities for people to buy their homes; and consulting on changes to the planning and taxation systems to help finance the new developments.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering Decent Homes for all social housing tenants by 2010. Housing Associations are also expected to contribute to the efficiency targets, for the social housing sector, set following the Gershon review and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

**Board members and executive officers**

The Board members of the Group who held office during the year and since the year end are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The Board wishes to recognise and thank John Jenkinson, our former Chairman for the considerable work he has undertaken on behalf of the Group over a number of years, and for his leadership in developing the Company. John retired from the Board on 17 July 2008 after ten years service having been a Board Member since the Company's inception.

The Board would also like to express its thanks for the effort and contribution made by Geoff Keen and Jessie Milne who retired from the Board during 2008.

The executive officers of the Group who held office during the year and since the year end are set out on page 1.

The executive officers hold no interest in the Company's shares and act as executives within the authority delegated by the Board.

The Group has insurance policies, which indemnify its Board members and executive officers against liability when acting for the Group.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

Service contracts

The executive officers are employed under permanent contracts of employment, primarily on the same terms and conditions as all other employees of the Group, their notice periods ranging from three to six months.

Pensions

The executive officers are members of the Social Housing Pension Scheme. The executive officers participate in the scheme on the same terms as all other employees. The Group contributes to the scheme on behalf of its employees.

Other benefits

The executive officers are entitled to certain other benefits such as the provision of health care insurance. Full details of executive officers' individual remuneration packages are included in note 9 to the audited financial statements.

**Objectives and strategy**

During the financial year, the Board Members considered the future strategic direction of the organisation, culminating in a new Vision statement and a revised and updated Corporate Strategy. To achieve the new Vision, we have developed three key themes with specified outcomes which are set out in the Corporate Strategy 2009-10, as follows:

1. Putting people first ;
2. Creating better places to live ;
3. Growing our business.

The Board is committed to delivering an effective and efficient service to all of its customers and achievement of Group objectives will also depend on successful implementation of a range of initiatives to increase efficiency. These include:

- Value for Money strategy;
- Service Improvement Plan ;
- Partnering with contractors for new build, refurbishment and maintenance contracts; and
- Reducing staff turnover, sickness and absenteeism.

**Performance and development**

The key indicators used by senior management and the Board to monitor achievement of the Group's objectives form the basis of the Service Improvement Plan, and are set out below. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement and ultimately the Corporate Business Plan.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

	<b>Objective</b>	<b>Indicator</b>
<b>Putting People First</b>	<ul style="list-style-type: none"> <li>We will deliver accessible, relevant, high quality customer focussed services</li> </ul>	<ul style="list-style-type: none"> <li>Increased Customer Satisfaction;</li> <li>National Top Quartile performance across all key service areas;</li> <li>External recognition that, for all service areas, strengths outweigh weaknesses;</li> <li>Accreditations sought/maintained.</li> </ul>
	<ul style="list-style-type: none"> <li>We will promote inclusion and independence</li> </ul>	<ul style="list-style-type: none"> <li>Complementary activities and services developed to enable people to maintain their independence;</li> <li>Service User surveys indicate no inequalities in experience;</li> <li>Increased number of referrals to support services.</li> </ul>
	<ul style="list-style-type: none"> <li>We will be a knowledgeable and learning organisation</li> </ul>	<ul style="list-style-type: none"> <li>Services developed based on understanding who our customers are and what they want;</li> <li>Customer Relationship Management;</li> <li>System developed and implemented;</li> <li>Actions taken based on lessons learnt.</li> </ul>
	<ul style="list-style-type: none"> <li>To develop and empower our people</li> </ul>	<ul style="list-style-type: none"> <li>Increased Employee Satisfaction and participation;</li> <li>External accreditation / recognition as an employer of choice.</li> </ul>
	<ul style="list-style-type: none"> <li>To deliver business results which demonstrate effective and efficient performance</li> </ul>	<ul style="list-style-type: none"> <li>Top quartile VFM benchmarked performance across all key service areas;</li> <li>Surpluses that outperform the Business Plan.</li> </ul>
<b>Creating better places to live</b>	<ul style="list-style-type: none"> <li>We will invest in homes and neighbourhoods</li> </ul>	<ul style="list-style-type: none"> <li>All homes meet the Acis Standard (Decent Homes Plus);</li> <li>Development and implementation of a local neighbourhood standard;</li> <li>External Accreditations sought/maintained.</li> </ul>
	<ul style="list-style-type: none"> <li>We will develop our work on environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Reduced Carbon Footprint;</li> <li>Reduced CO2 emissions per property;</li> <li>Reduced energy usage;</li> <li>Reduced average fuel costs per property.</li> </ul>
	<ul style="list-style-type: none"> <li>We will invest to develop healthy, wealthy and wise communities</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of health inequalities;</li> <li>Increased numbers of economically active customers;</li> <li>Increased numbers of jobs created;</li> <li>Increased numbers of customers with a bank account;</li> <li>Increased numbers of educational and training opportunities.</li> </ul>
<b>Growing our business</b>	<ul style="list-style-type: none"> <li>To develop more homes for more people</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of homes owned and managed;</li> <li>Increased product range that reflects the needs/demands/aspirations of our customers;</li> <li>Reduction in the waiting list.</li> </ul>
	<ul style="list-style-type: none"> <li>To maximise opportunities that add value</li> </ul>	<ul style="list-style-type: none"> <li>Increased income/profit generated from non-core activities;</li> <li>Increased return on investment from non-core activities.</li> </ul>

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)****Finance**

The Board set a challenging budget for the year, incorporating improved financial and operational performance on core activities together with the continued integration of the Sheffield properties and employees into Group's operations. Planned rental increases were restricted to half a percent above inflation, plus a maximum of £2 per week, the maximum permitted under our rent plan, reflecting TSA guidance on rent restructuring. We are pleased to report a surplus before taxation of £1.0 million (2008: deficit £0.1m). Our financial performance has meant we have met lenders' covenants.

By the year-end, Group funds amounted to a £16.6 million deficit (2008 : £16.8 million deficit).

Performance against key performance indicators is set out below.

**Customer service**

Our performance against financial performance indicators is set out in Table 1 (page 12) and summarised below.

**(i) Rent losses from voids and bad debts**

Our target for the year was to keep rent losses below 1.11% of general needs rental income receivable. General needs rent losses from voids for the year of 1.67% meant the target was not achieved, and reflects an unusually high number of void properties experienced during 2008/09. The length of time between a property becoming vacant also increased during 2008/09 for our West Lindsey and Sheffield properties to slightly above our target of 29 days. The target for our housing management team for the coming year is to improve the void loss and re-let times back to 2006/07 levels. The recently transferred Sheffield properties continue to provide new challenges and our long term target here is to align losses from voids and bad debts with our West Lindsey historical performance, and progress was made in 2008/09 towards this.

**(ii) Rent arrears**

A challenging target for the year was set to keep our rent losses below 2.20% of general needs rental income. Although actual performance was slightly outside of this target, the performance improved consistently over the last six months of the year in an increasingly difficult economic climate.

**(iii) Repair response times**

Performance against this indicator has a direct impact on the Group's service to its customers. Performance against target response times is shown below. A Repairs Service Improvement Group operated in 2008/09 and worked to identify ways to improve performance and move back to the high levels of performance previously reported.

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 99.1% of jobs completed within 24 hours	Actual: 97.5% (2008: 98.5%)
Urgent: target 98.5% of jobs completed within 7 calendar days	Actual: 97.2% (2008: 97.6%)
Routine: target 98.5% of jobs completed within 28 calendar days	Actual: 92.5% (2008: 98.1%)

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

**Asset management**

We are continuing to improve the quality of our general needs accommodation and have invested £7.5m in our accommodation to exceed the Decent Homes Standard. We have also invested heavily in the housing stock this year to ensure all our homes continue to meet local authority registration standards and have continued to improve the fire safety and alarm systems in our sheltered housing schemes, further increasing residents' safety and security.

The proportion of our West Lindsey general needs and supported housing properties meeting the Decent Homes Standard increased from 90% to 98% during the year, and all properties will meet the standard by 31 March 2010.

Properties in Sheffield continue on target to achieve and exceed the Decent Homes standard by 2012. Our target for the proportion of units exceeding level 1 energy efficiency rating was also met during 2008/09.

**Environment**

We achieved our target for all new homes attaining a 'very good' EcoHomes rating.

**Growth and diversification**

2008/09 also saw our Development programme deliver 110 new properties comprising 58 General Needs and 52 Low Cost Home Ownership properties. Of these Low Cost Home ownership properties, 21 are currently being let at intermediate market rents under the new rent to purchase initiative.

**Risks and uncertainties**

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the senior management team and the Board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are reported to the Board as part of wider operational delivery reports together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Group has identified the major risks to successful achievement of its objectives and these are considered below.

Key risk	Status	Impact on strategic objectives
<b>Continued downturn in housing market</b>	A significant element of the development programme is low cost home ownership and success depends on demand for the properties.	Creating better places to live Growing the business
<b>Change in government policy</b>	Changes to the planning or tax regimes, for example through introduction of a planning gain supplement, may increase costs of new developments reducing scheme affordability.	Creating better places to live Growing the business
<b>New legislation</b>	Introduction of new legislation or regulation, for example changes arising from EU legislation on energy efficiency, may delay compliance with Decent Homes requirements.	Creating better places to live Growing the business

## OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)

Key risk	Status	Impact on strategic objectives
<b>Failure of development consortium to deliver</b>	The Group needs to continue as a member of a consortium that is one of the Home and Communities Agency development partners.	Creating better places to live Growing the business
<b>Interest rate changes</b>	An increase in interest rates of just 0.5% would increase annual interest payable by £11,000.	Creating better places to live Growing the business
<b>Availability of finance</b>	A number of lenders have withdrawn from the housing association lending market, limiting money supply. Lenders are looking to increase margins on new borrowings and where possible on existing borrowings. 'Credit crunch' may result in difficulty for potential shared ownership purchasers to raise finance.	Putting people first Creating better places to live Growing the business
<b>Loss of key staff</b>	Retention of quality employees and managers is key to successful delivery of our business plans.	Putting people first Creating better places to live Growing the business
<b>Performance failure</b>	Performance failures in services to our customers would affect our rating with the TSA and our reputation in the sector. Failure to deliver our development programme may result in a withdrawal of capital grant.	Putting people first Creating better places to live Growing the business
<b>Slow Integration of Sheffield Stock</b>	Failure to deliver property improvement programme would impact on the Group's reputation and would result in loss of income under Development for Communities Agency and VAT arrangements.	Putting people first Creating better places to live

**Financial position**

The Group income and expenditure account and balance sheet are summarised in Table 1 (page 12) and the following paragraphs highlight key features of the Group's financial position as at 31 March 2009.

**Accounting policies**

The Group's principal accounting policies are set out on pages 24 to 27 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties. Each of these policies has remained unchanged during the period under review.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)****Accounting policies (continued)**

For the Lincolnshire County Council Pension Fund (LCCPF), the Group has applied the Amendment to FRS 17 Retirement Benefits which is effective for accounting periods commencing after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit pension schemes. For quoted securities the fair value is now taken to be the current bid price rather than the mid-market value. The effect of this change for the year ended 31 March 2008 is £18,000 and is considered to be immaterial. As a result, whilst the change in valuation method is considered to be a change in accounting policy, a prior year adjustment has not been considered necessary. Had the change been made then the pension liability would have been increased by £18,000 and the actuarial gain would have decreased by £18,000 thereby reducing the total recognised surpluses and deficits for the year by £18,000

**Housing properties**

At 31 March 2009 the Group owned 5,007 housing properties (2008: 4,931). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £58.2 million (2008 restated: £49.4 million). The Board appointed professional valuers to provide a desktop valuation of the Group's housing properties as at 31 March 2009 and at that date the value of the properties, on an existing use for social housing basis, was £103.5million (2008: £87.1m). Based on projected rental income streams the valuers gave an indicative value for the Group's housing properties of £110.0million (2008: £100.1m).

Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity. The Group's treasury management arrangements are considered below.

**Pension costs**

The Group participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the Lincolnshire County Council Pension Fund (LCCPF). Both of these are defined benefit schemes, offering good benefits for our staff. The Group has contributed to the schemes in accordance with levels, set by the actuaries, of between 11.7% and 18.9%.

The next actuarial valuation of the LCCPF is due at 31 March 2010. An actuarial valuation of the SHPS was carried out at 30 September 2008. Results of this valuation show an increase in the shortfall of assets compared to liabilities for the whole of SHPS of £663m, (figures are not available for individual participating employers). Early indications are that the Group's contribution rates will be increased by 3.1% of pensionable salary as part of the SHPS Recovery plan.

**Capital structure and treasury policy**

The Group borrowed a further £7.55 million (2008:£4.30 million) during the year to develop general family housing, and by the year-end, Group borrowings amounted to £70.15 million.

The Group has a loan facility of £126.0 million to acquire and develop housing stock and finance a full programme of catch-up repairs and improvements.

The Group borrows, principally from banks, at both fixed and floating rates of interest. The Group's policy is to keep a minimum of 50 percent of its borrowings at fixed rates of interest. At the year-end, 97 per cent of the Group's borrowings were at fixed rates (2008: 81 per cent). The fixed rates of interest range from 4.31% to 6.59% and in the current market, where long term fixed rates have fallen below 5%, new loans are being taken on floating rates of interest. The Group borrows and lends only in sterling and so is not exposed to currency risk.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

**Cash flows**

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 23).

The net cash inflow from operating activities was £4,516,709 (2008: outflow £766,388), reflecting the increase in development activity during the year that was financed through our loan portfolio, advanced receipt of grant and the planned investment programme of our Sheffield stock.

**Future developments**

A key influence on the timing of borrowings is the rate at which development actually takes place. The Board has approved plans to spend almost £32.2 million in 2009/10 to acquire and develop additional general family housing. Our development programme for this year includes the delivery of 180 new properties.

The Group has made significant progress during 2008/09 on its partnering initiatives and will be working collaboratively with contractors on refurbishment and maintenance contracts in the forthcoming year.

**Post balance sheet events**

We consider that there have been no events since the financial year-end, which have had an important effect on the financial position of the Group.

**Payment of creditors**

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

**Employees**

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group.

The Group continues to provide information on its objectives, progress and activities through corporate briefings, newsletters, regular office, departmental and individual meetings. An Employee Forum of elected staff representatives and the Chief Executive meets quarterly to discuss issues relevant to employment matters.

The Group is committed to equal opportunities for all its employees and in particular we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

The Group has adopted the Code of Practice on Race Equality arising from the Race and Housing Inquiry Challenge Report 2000.

The Board recognises that the success of our business depends on the quality of our managers and employees. In any organisation some staff changes are inevitable, however a high level of employee turnover leads to increased recruitment costs, lower productivity, lower morale and reduced internal controls assurance during the changeover period.

Staff turnover is calculated as the number of leavers in the year divided by the permanent staff headcount at the end of the year. For 2008/09 our staff turnover of 11.8% (2008: 10.6%) was slightly above target.

Employee absenteeism through sickness was 9.6 days per employee (2008: 11 days).

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

**Health and safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has recently reviewed and updated its health and safety policy and continues to carry out all necessary health and safety checks and provide employee training and education on health and safety matters.

**Customer involvement**

We actively encourage customers' involvement in decision making by promoting more formal mechanisms of customer involvement. We currently have three tenant board members and we have established clear reporting arrangements between the Resident Advisory Panel and the Board.

The Resident Involvement Framework broadens the diversity, range and scope of the involvement structure through creating Local Management Boards with specific responsibilities to monitor and review service standards, policies and oversee the delivery of improvement programmes and housing services.

**Diversity**

The Group recognises the importance of diversity and is committed to gathering data on all its customers that will inform the delivery of our services to them and ensure that we offer a fair and equitable service to all. A Diversity Service Improvement operated during 2008/09 to ensure this key cross cutting area is embedded throughout the organisation, and culminated in the Group becoming the first Housing Association to be accredited with the Investors in Diversity Standard national award.

**Complaints**

We have a clear and simple complaints policy that we issue to all tenants. During the year we received 221 expressions of dissatisfaction that were processed through our complaints system. Of these 107 were upheld as complaints and promptly resolved, to the satisfaction of the tenants.

## OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)

Table 1 – Group highlights, five-year summary

For the year ended 31 March	2009	2008	2007	2006	2005
<b>Group Income and Expenditure Account (£'000)</b>					
Total turnover	17,194	19,284	12,179	10,015	9,450
Income from lettings	15,778	14,990	10,791	9,652	9,063
Operating surplus	4,621	2,984	2,077	1,426	(370)
Surplus/(Deficit) for the year transferred to reserves	956	(113)	(1,109)	(1,160)	(2,654)
<b>Group Balance Sheet (£'000)</b>					
Housing properties, net of depreciation SHG and other capital grants	69,602 (11,445)	55,767 (6,328)	47,970 (3,185)	40,337 (2,993)	33,756 (1,181)
Housing properties, net of depreciation and grants	58,157	49,439	44,785	37,344	32,575
Other fixed assets	1,411	1,352	1,263	1,248	1,344
Fixed assets net of capital grants and depreciation	59,568	50,791	46,049	38,592	33,919
Net current assets	(4,138)	(3,673)	(3,226)	(2,099)	(4,525)
Total assets less current liabilities	55,430	47,118	42,823	36,493	29,394
Loans (due over one year)	70,150	62,600	58,300	51,300	42,600
Pensions liability*1	1,913	1,003	1,324	1,755	1,577
Other long term liabilities	-	278	159	111	590
Reserves : revenue	(16,633)	(16,763)	(16,960)	(16,673)	(15,373)
	55,430	47,118	42,823	36,493	29,394
<b>Accommodation figures</b>					
Total housing stock owned at year-end (number of dwellings):	5,007	4,931	4,890	3,620	3,513
<b>Statistics</b>					
Surplus/(Deficit) for the year as % of turnover	5.6%	(0.6%)	(9.1%)	(11.6%)	(30.0%)
Surplus/(Deficit) for the year as % of income from lettings	6.1%	(0.8%)	(10.3%)	(12.0%)	(29.3%)
Rent arrears (gross arrears as % of rent and service charges receivable)	2.5%	2.6%	1.2%	1.0%	1.4%
Rent losses (voids as % of rent and service charges receivable)	1.7%	1.3%	0.7%	0.7%	1.1%
Bad debts (as % of rent and service charges receivable)	0.7%	1.1%	0.5%	0.3%	0.3%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	128.9%	90.0%	62.4%	50.5%	16.7%
Liquidity (current assets divided by current liabilities)	0.68	0.45	0.70	0.29	0.23
Gearing (total loans as % of capital grants plus reserves)	249.3%	271.1%	289.4%	260.9%	258.3%
Total reserves per home owned	(£3,321)	(£3,399)	(£3,468)	(£4,606)	(£4,376)

\*1 The pensions liability (net of deferred tax asset) was brought onto the balance sheet in 2006 following a change of accounting policy (required under Financial Reporting Standard 17 'Accounting for retirement benefits'). Prior year figures have been restated accordingly.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

**Internal controls assurance**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the Group, including those not registered with the Tenant Services Authority.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period commencing 1 April 2008 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements throughout the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Audit Committee and Treasury Management Group;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- annual review of the Group's risk map by the Board;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting to senior management and the Board of key business objectives, targets and outcomes;
- Board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Group's work.

A fraud register is maintained and is reviewed by the Audit Committee on a quarterly basis. During the year there was one minor fraud attempted by an external body on the Company, which was not successful.

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

The Audit Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Company and its subsidiaries, and the annual report of the internal auditor, and has reported its findings to the Board.

**NHF Code of Governance**

We are pleased to report that the Group complies with the principal recommendations of the NHF Code of Governance (revised 2004). There are two key governance related matters to highlight this year and these are set out below.

(i) Board Membership

To recognise current and future retirements from the Board the Group operate a comprehensive Board member recruitment programme and 2008/09 saw the appointment of Trevor Slack, Michael Richardson and Bernard Coleman. They bring a broad wealth of experience and skills in a variety of industries that will enhance the management of the Board in future years.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

(ii) Non-audit work undertaken by external auditors

The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2009. More information about the level of fees paid by the Group for this work is set out in note 4 to the financial statements. The Group's Audit Committee has agreed a protocol, with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

We recognise the National Housing Federation's Excellence in Governance published on 3<sup>rd</sup> March 2009 and will adopt this over the course of the next year. This will be an integral part of the Board's review of its performance which will be undertaken at the Board Development Day in September. This will ensure ACIS upholds the principles of Standards, Accountability, Customer First, Openness, Equality & Diversity, Review & Renewal, Clarity, Control, Information, Structures and Audit.

**Statement of the responsibilities of the Board for the Financial statements.**

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 require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company at the end of the period and of the surplus or deficit of the Group and Company for the period.

In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Landlords" (2008), subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable it to ensure that the financial statements comply with the Companies Act 1985, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (2008).

The Board is responsible for the maintenance and integrity of the corporate and financial information on the website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

**Going concern**

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

**Annual general meeting**

The annual general meeting will be held on 1 October 2009 at Acis House, Bridge Street, Gainsborough.

**OPERATING AND FINANCIAL REVIEW AND BOARD REPORT (CONTINUED)**

**Disclosure of information to auditors**

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

- so far as each Director is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

**External auditors**

Grant Thornton UK LLP having expressed their willingness to continue in office will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488(1) of the Companies Act 2006.

**Statement of compliance**

In preparing this Operating and Financial Review, the Board has followed the principles set out in the SORP 'Accounting by Registered Social Landlords' (Update 2008).

**Approval**

The Report of the Board was approved by the Board on 16 July 2009 and signed on its behalf by:

Roger Buttery  
Chairman

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACIS GROUP LIMITED**

We have audited the Group and parent Company financial statements of Acis Group Limited for the year ended 31 March 2009 which comprise the Group and Company income and expenditure account, the Group and Company balance sheets, the Group cash flow statement, the Group and Company statement of total recognised surpluses and deficits and notes 1 to 31. The 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 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 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 for the financial statements.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, 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.

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 other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Operating and Financial Review and Board Report. 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 judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 AUDITOR'S REPORT TO THE MEMBERS OF ACIS GROUP LIMITED  
(CONTINUED).**

**Opinion**

In our opinion:

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

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditor  
Leeds, England  
16 July 2009

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2009**

	<b>Note</b>	<b>2009</b>	<i>2008</i>
		<b>£</b>	<i>£</i>
<b>Turnover: continuing activities</b>	3	<b>17,193,740</b>	<i>19,284,006</i>
<b>Operating costs</b>	3	<b>(12,573,234)</b>	<i>(16,300,101)</i>
<b>Operating surplus : continuing activities</b>	3	<b>4,620,506</b>	<i>2,983,905</i>
Surplus on sale of fixed assets – housing properties	5	<b>40,952</b>	<i>153,112</i>
Interest receivable and other income	6	<b>5,477</b>	<i>34,735</i>
Interest payable and similar charges	7	<b>(3,652,039)</b>	<i>(3,315,093)</i>
Other finance (costs) / income	8	<b>(59,000)</b>	<i>30,000</i>
<b>Surplus / (deficit) on ordinary activities before taxation</b>		<b>955,896</b>	<i>(113,341)</i>
<b>Tax on surplus / (deficit) on ordinary activities</b>	10	-	-
<b>Surplus / (deficit) for the financial year</b>	23	<b>955,896</b>	<i>(113,341)</i>

The notes on pages 24 to 52 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

**COMPANY INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2009**

	<b>Note</b>	<b>2009</b>	<i>2008</i>
		<b>£</b>	<i>£</i>
<b>Turnover: continuing activities</b>	3	<b>17,193,740</b>	<i>19,284,006</i>
<b>Operating costs</b>	3	<b>(12,609,124)</b>	<i>(16,331,187)</i>
<b>Operating surplus : continuing activities</b>	3	<b>4,584,616</b>	<i>2,952,819</i>
Surplus on sale of fixed assets – housing properties	5	<b>40,952</b>	<i>153,112</i>
Interest receivable and other income	6	<b>5,477</b>	<i>34,735</i>
Interest payable and similar charges	7	<b>(3,652,039)</b>	<i>(3,315,093)</i>
Other finance (costs) / income	8	<b>(59,000)</b>	<i>30,000</i>
Dividends received		-	<i>168,741</i>
<b>Surplus on ordinary activities before taxation</b>		<b>920,006</b>	<i>24,314</i>
<b>Tax on surplus on ordinary activities</b>	10	-	-
<b>Surplus for the financial year</b>	23	<b>920,006</b>	<i>24,314</i>

The notes on pages 24 to 52 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

**For the year ended 31 March 2009**

	<b>Note</b>	<b>Group 2009</b>	<i>2008</i>	<b>Company 2009</b>	<i>2008</i>
		<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Surplus / (deficit) for the year		<b>955,896</b>	<i>(113,341)</i>	<b>920,006</b>	<i>24,314</i>
Actuarial (loss) / gain relating to pension scheme	8	<b>(826,000)</b>	<i>310,000</i>	<b>(826,000)</b>	<i>310,000</i>
Total recognised surpluses and deficits relating to year		<b>129,896</b>	<i>196,659</i>	<b>94,006</b>	<i>334,314</i>

The notes on pages 24 to 52 form part of these financial statements.

**RECONCILIATION OF MOVEMENTS IN GROUP AND COMPANY FUNDS**

**For the year ended 31 March 2009**

	<b>Group 2009</b>	<i>2008</i>	<b>Company 2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Opening total funds	<b>(16,762,866)</b>	<i>(16,959,525)</i>	<b>(16,784,829)</b>	<i>(17,119,143)</i>
Total recognised surpluses and deficits relating to year	<b>129,896</b>	<i>196,659</i>	<b>94,006</b>	<i>334,314</i>
Closing total funds	<b>(16,632,970)</b>	<i>(16,762,866)</i>	<b>(16,690,823)</b>	<i>(16,784,829)</i>

The notes on pages 24 to 52 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

**At 31 March 2009**

	Note	2009	2008
		£	£
<b>Tangible fixed assets</b>			
Housing properties	11	<b>69,602,035</b>	55,767,244
Social housing grant	11	<b>(6,280,628)</b>	(3,707,847)
Other grants	11	<b>(5,164,358)</b>	(2,620,358)
		<hr/>	<hr/>
		<b>58,157,049</b>	49,439,039
Other tangible fixed assets	12	<b>1,411,290</b>	1,351,535
		<hr/>	<hr/>
		<b>59,568,339</b>	50,790,574
<b>Current assets</b>			
Properties for sale	14	<b>1,338,533</b>	979,868
Stock		<b>30,839</b>	20,733
Debtors	15	<b>4,170,948</b>	1,900,409
Cash at bank and in hand		<b>58,038</b>	158,944
		<hr/>	<hr/>
		<b>5,598,358</b>	3,059,954
<b>Creditors: Amounts falling due within one year</b>	16	<b>(9,736,667)</b>	(6,732,341)
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(4,138,309)</b>	(3,672,387)
<b>Total assets less current liabilities</b>		<b>55,430,030</b>	47,118,187
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>70,150,000</b>	62,878,053
<b>Net pension liability</b>	8	<b>1,913,000</b>	1,003,000
<b>Capital and reserves</b>			
Non-equity share capital	22	-	-
Revenue reserve	23	<b>(16,632,970)</b>	(16,762,866)
		<hr/>	<hr/>
		<b>55,430,030</b>	47,118,187
		<hr/>	<hr/>

The notes on pages 24 to 52 form part of these financial statements.

The financial statements were approved by the Board on 16 July 2009 and signed on its behalf by:

Roger Buttery  
Chair

Rod Must  
Vice Chair

Russ Blenkinsop  
Secretary

**COMPANY BALANCE SHEET**

**At 31 March 2009**

	<b>Note</b>	<b>2009</b> £	<i>2008</i> £
<b>Tangible fixed assets</b>			
Housing properties	11	<b>69,602,035</b>	<i>55,767,244</i>
Social housing grant	11	<b>(6,280,628)</b>	<i>(3,707,847)</i>
Other grants	11	<b>(5,164,358)</b>	<i>(2,620,358)</i>
		<b>58,157,049</b>	<i>49,439,039</i>
Other tangible fixed assets	12	<b>347,217</b>	<i>264,385</i>
Investments in subsidiaries	13	<b>2</b>	<i>2</i>
		<b>58,504,268</b>	<i>49,703,426</i>
<b>Current assets</b>			
Properties for sale	14	<b>1,338,533</b>	<i>979,868</i>
Stock		<b>30,839</b>	<i>20,733</i>
Debtors	15	<b>5,234,416</b>	<i>3,022,843</i>
Cash at bank and in hand		<b>790</b>	<i>158,944</i>
		<b>6,604,578</b>	<i>4,182,388</i>
<b>Creditors: Amounts falling due within one year</b>	16	<b>(9,736,669)</b>	<i>(6,789,590)</i>
<b>Net current liabilities</b>		<b>(3,132,091)</b>	<i>(2,607,202)</i>
<b>Total assets less current liabilities</b>		<b>55,372,177</b>	<i>47,096,224</i>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>70,150,000</b>	<i>62,878,053</i>
<b>Net pension liability</b>	8	<b>1,913,000</b>	<i>1,003,000</i>
<b>Capital and reserves</b>			
Non-equity share capital	22	-	-
Revenue reserve	23	<b>(16,690,823)</b>	<i>(16,784,829)</i>
		<b>55,372,177</b>	<i>47,096,224</i>

The notes on pages 24 to 52 form part of these financial statements.

The financial statements were approved by the Board on 16 July 2009 and signed on its behalf by:

Roger Buttery  
Chair

Rod Must  
Vice Chair

Russ Blenkinsop  
Secretary

**CONSOLIDATED CASH FLOW STATEMENT**

**For the year ended 31 March 2009**

	<b>Note</b>	<b>2009</b> <b>£</b>	<i>2008</i> <i>£</i>
<b>Net cash inflow / (outflow) from operating activities</b>	27	<b>4,516,709</b>	<i>(766,388)</i>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>5,477</b>	<i>34,735</i>
Interest paid		<b>(3,579,241)</b>	<i>(3,370,136)</i>
		<b>(3,573,764)</b>	<i>(3,335,401)</i>
<b>Capital expenditure</b>			
Purchase and construction of housing properties		<b>(15,075,218)</b>	<i>(9,629,844)</i>
Social Housing Grant – received		<b>5,712,540</b>	<i>2,836,149</i>
Purchase of other fixed assets		<b>(176,991)</b>	<i>(343,517)</i>
Sales of housing properties		<b>917,944</b>	<i>2,734,631</i>
Sales of other fixed assets		<b>4,506</b>	<i>18,829</i>
		<b>(8,617,219)</b>	<i>(4,383,752)</i>
<b>Financing</b>			
Loans received	29	<b>7,550,000</b>	<i>4,300,000</i>
<b>(Decrease) in cash</b>	29	<b>(124,274)</b>	<i>(4,185,541)</i>

The notes on pages 24 to 52 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2009**

**1. LEGAL STATUS**

The Company is registered under the Companies Act 1985 and is registered with the Tenant Services Authority as a social landlord.

**2. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements of the Group and Company are prepared under the historic cost convention in accordance with applicable accounting standards and the Statement of Recommended Practice: "Accounting by Registered Social Landlords", issued in January 2008 (SORP 2008), and comply with the Accounting Requirements for registered social landlords General Determination 2006.

**Basis of consolidation**

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

**Turnover**

Turnover comprises rental income receivable in the year, income from Shared Ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of sale.

**Deferred taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

**Value added tax**

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

**Interest payable**

Interest payable is allocated at a constant rate on the carrying amount over the period of the borrowing, and is charged in full to the income and expenditure account in the year.

**2. ACCOUNTING POLICIES (CONTINUED)****Pensions**

The Group participates in the Lincolnshire County Council Local Government Pension Fund (LCCPF) and the Social Housing Pension Scheme (SHPS). Both are defined benefit pension schemes.

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the LCCPF, the Group has applied the Amendment to FRS 17 Retirement Benefits which is effective for accounting periods commencing after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit pension schemes. For quoted securities the fair value is now taken to be the current bid price rather than the mid-market value. The effect of this change for the year ended 31 March 2008 is £18,000 and is considered to be immaterial. As a result, whilst the change in valuation method is considered to be a change in accounting policy, a prior year adjustment has not been considered necessary. Had the change been made then the pension liability would have been increased by £18,000 and the actuarial gain would have decreased by £18,000 thereby reducing the total recognised surpluses and deficits for the year by £18,000.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group/Company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

**Supporting people**

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

**Pre-contract costs**

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

**Housing properties**

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared Ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

**2. ACCOUNTING POLICIES (CONTINUED)****Social Housing Grant**

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. 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.

**Other grants**

These include grants from local authorities and other organisations. 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.

**True and fair override**

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 11). This is a departure from the rules under Schedule 4 of the Companies Act 1985 but in the opinion of the Board is a relevant accounting policy, comparable to that adopted by other registered social landlords that has been adopted in order to present a true and fair view.

**Depreciation of housing properties**

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost less the proportion of SHG and other grants attributable to housing properties, less residual value. The Group's housing properties are depreciated at the following annual rates:

Houses and flats	0.75% to 4.2%
Garages	1.2%
Commercial properties	2.0%

**Impairment**

Houses built since 1980, which are depreciated over a period in excess of 50 years 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 would be charged to operating surplus or deficit.

**Other tangible fixed assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold offices	2%
Office fittings and equipment	10 - 20%
Computer equipment and software	25%
Motor vehicles	20%
Depot fittings and equipment	20%
Furnished accommodation	25%

**2. ACCOUNTING POLICIES (CONTINUED)**

**Website development costs**

The Group continues to develop a website which will be used to promote the Group's activities and as a means of communicating with tenants and other interested parties. Planning, design and content development costs have been capitalised as incurred. Ongoing costs of maintaining and operating the website are charged as other operating costs as incurred.

**Investments**

Investments are valued at the lower of cost and net realisable value.

**Properties for sale**

Shared Ownership first tranche sales, 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.

## 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT)

## Group – continuing activities

	<b>2009</b>		
	<b>Turnover</b>	<b>Operating costs</b>	<b>Operating surplus / (deficit)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social housing lettings</b>	<b>15,545,883</b>	<b>(11,089,247)</b>	<b>4,456,636</b>
<b>Other social housing activities</b>			
Supporting people contract income	57,287	(57,287)	-
Agency services	243,561	(338,454)	(94,893)
First tranche shared ownership sales	1,007,750	(962,948)	44,802
	<b>1,308,598</b>	<b>(1,358,689)</b>	<b>(50,091)</b>
<b>Non-social housing activities</b>			
Lettings	232,495	(81,691)	150,804
Other	106,764	(43,607)	63,157
	<b>339,259</b>	<b>(125,297)</b>	<b>213,962</b>
	<b>17,193,740</b>	<b>(12,573,234)</b>	<b>4,620,506</b>
	<b>2008</b>		
	<b>Turnover</b>	<b>Operating costs</b>	<b>Operating surplus / (deficit)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social housing lettings</b>	14,755,900	(12,219,020)	2,536,880
<b>Other social housing activities</b>			
Supporting people contract income	53,245	(53,245)	-
Agency services	241,601	(271,287)	(29,686)
First tranche shared ownership sales	3,913,500	(3,627,173)	286,327
	<b>4,208,346</b>	<b>(3,951,705)</b>	<b>256,641</b>
<b>Non-social housing activities</b>			
Lettings	234,498	(90,076)	144,422
Other	85,262	(39,300)	45,962
	<b>319,760</b>	<b>(129,376)</b>	<b>190,384</b>
	<b>19,284,006</b>	<b>(16,300,101)</b>	<b>2,983,905</b>

## 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT)

## Company – continuing activities

	<b>2009</b>		
	<b>Turnover</b>	<b>Operating costs</b>	<b>Operating surplus / (deficit)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social housing lettings</b>	<b>15,545,883</b>	<b>(11,123,625)</b>	<b>4,422,258</b>
<b>Other social housing activities</b>			
Supporting people contract income	57,287	(57,287)	-
Agency services	243,561	(339,558)	(95,997)
First tranche shared ownership sales	1,007,750	(962,948)	44,802
	<b>1,308,598</b>	<b>(1,359,793)</b>	<b>(51,195)</b>
<b>Non-social housing activities</b>			
Lettings	232,495	(81,957)	150,538
Other	106,764	(43,749)	63,015
	<b>339,259</b>	<b>(125,706)</b>	<b>213,553</b>
	<b>17,193,740</b>	<b>(12,609,124)</b>	<b>4,584,616</b>
	<b>2008</b>		
	<b>Turnover</b>	<b>Operating costs</b>	<b>Operating surplus / (deficit)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social housing lettings</b>	<i>14,755,900</i>	<i>(12,249,067)</i>	<i>2,506,833</i>
<b>Other social housing activities</b>			
Supporting people contract income	<i>53,245</i>	<i>(53,245)</i>	<i>-</i>
Agency services	<i>241,601</i>	<i>(271,990)</i>	<i>(30,389)</i>
First tranche shared ownership sales	<i>3,913,500</i>	<i>(3,627,173)</i>	<i>286,327</i>
	<i>4,208,346</i>	<i>(3,952,408)</i>	<i>255,938</i>
<b>Non-social housing activities</b>			
Lettings	<i>234,498</i>	<i>(90,310)</i>	<i>144,188</i>
Other	<i>85,262</i>	<i>(39,402)</i>	<i>45,860</i>
	<i>319,760</i>	<i>(129,712)</i>	<i>190,048</i>
	<i>19,284,006</i>	<i>(16,331,187)</i>	<i>2,952,819</i>

## 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT) (CONTINUED)

## Particulars of Income and Expenditure from Social Housing Lettings

*Group*

	General housing £	Supported housing and housing for older people £	Shared ownership £	2009 Total £	2008 Total £
<b>Turnover from social housing lettings</b>					
Rent receivable net of identifiable service charges	14,143,857	652,004	223,410	15,019,271	14,230,853
Charges for support services	-	274,387	-	274,387	292,675
Service charges receivable	105,751	120,912	25,562	252,225	232,372
<b>Turnover from social housing lettings</b>	<b>14,249,608</b>	<b>1,047,303</b>	<b>248,972</b>	<b>15,545,883</b>	<b>14,755,900</b>
<b>Expenditure on social housing lettings</b>					
Management	(2,463,946)	(111,965)	(66,591)	(2,642,502)	(2,513,778)
Services	(513,140)	(353,562)	-	(866,702)	(906,890)
Routine maintenance	(2,363,115)	(99,797)	-	(2,462,912)	(2,541,053)
Planned maintenance	(986,174)	(40,343)	-	(1,026,518)	(831,434)
Major repairs expenditure	(3,039,342)	(219,765)	-	(3,259,107)	(4,689,698)
Bad debts	(108,273)	(1,518)	-	(109,791)	(166,185)
Depreciation of housing properties	(371,965)	(15,919)	(49,342)	(437,226)	(459,778)
Other costs	(169,612)	-	(114,878)	(284,490)	(110,204)
<b>Operating costs on social housing lettings</b>	<b>(10,015,567)</b>	<b>(842,869)</b>	<b>(230,811)</b>	<b>(11,089,247)</b>	<b>(12,219,020)</b>
<b>Operating surplus on social housing lettings</b>	<b>4,234,041</b>	<b>204,434</b>	<b>18,161</b>	<b>4,456,636</b>	<b>2,536,880</b>
<b>Void losses</b>	<b>(242,370)</b>	<b>(17,230)</b>	<b>(146,066)</b>	<b>(405,666)</b>	<b>(307,140)</b>

## 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT) (CONTINUED)

## Particulars of Income and Expenditure from Social Housing Lettings

## Company

	General housing £	Supported housing and housing for older people £	Shared ownership £	2009 Total £	2008 Total £
<b>Turnover from social housing lettings</b>					
Rent receivable net of identifiable service charges	14,143,857	652,004	223,410	15,019,271	14,230,853
Charges for support services	-	274,387	-	274,387	292,675
Service charges receivable	105,751	120,912	25,562	252,225	232,372
<b>Turnover from social housing lettings</b>	<b>14,249,608</b>	<b>1,047,303</b>	<b>248,972</b>	<b>15,545,883</b>	<b>14,755,900</b>
<b>Expenditure on social housing lettings</b>					
Management	(2,472,563)	(111,965)	(66,591)	(2,651,119)	(2,520,294)
Services	(515,966)	(353,562)	-	(869,528)	(909,240)
Routine maintenance	(2,371,146)	(99,797)	-	(2,470,943)	(2,547,639)
Planned maintenance	(989,522)	(40,343)	-	(1,029,865)	(833,589)
Major repairs expenditure	(3,049,970)	(219,765)	-	(3,269,735)	(4,701,852)
Bad debts	(108,273)	(1,518)	-	(109,791)	(166,185)
Depreciation of housing properties	(371,965)	(15,919)	(49,342)	(437,226)	(459,778)
Other costs	(170,540)	-	(114,878)	(285,418)	(110,490)
<b>Operating costs on social housing lettings</b>	<b>(10,049,945)</b>	<b>(842,869)</b>	<b>(230,811)</b>	<b>(11,123,625)</b>	<b>(12,249,067)</b>
<b>Operating surplus on social housing lettings</b>	<b>4,199,663</b>	<b>204,434</b>	<b>18,161</b>	<b>4,422,258</b>	<b>2,506,833</b>
<b>Void losses</b>	<b>(242,370)</b>	<b>(17,230)</b>	<b>(146,066)</b>	<b>(405,666)</b>	<b>(307,140)</b>

### 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT) (CONTINUED)

#### Particulars of Turnover from Non-Social Housing Lettings

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Market rented properties	<b>164,400</b>	164,400	<b>164,400</b>	164,400
Commercial properties	<b>6,560</b>	5,750	<b>6,560</b>	5,750
Private garages	<b>61,535</b>	64,348	<b>61,535</b>	64,348
	<b>232,495</b>	234,498	<b>232,495</b>	234,498

### 4. OPERATING SURPLUS

This is arrived at after charging:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Depreciation of housing properties	<b>469,017</b>	487,635	<b>469,017</b>	487,635
Depreciation of other tangible fixed assets	<b>141,844</b>	172,861	<b>118,767</b>	146,638
Surplus on disposal of other tangible fixed assets	<b>(100)</b>	(5,520)	<b>(100)</b>	(5,520)
Fees payable to the Company's auditors for the audit of the Financial Statements (including VAT)	<b>20,068</b>	20,621	<b>18,975</b>	19,094
Fees payable to the Company's auditors for other services (including VAT)				
Audit of the Financial Statements of the Company's subsidiaries pursuant to legislation	<b>1,150</b>	1,528	<b>1,150</b>	1,528
Services relating to tax	<b>3,584</b>	3,372	<b>3,584</b>	3,372
Compliance certificates	<b>1,035</b>	1,058	<b>1,035</b>	1,058
All other services	<b>18,213</b>	2,468	<b>18,213</b>	2,468

### 5. SURPLUS ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Net disposal proceeds	<b>1,119,417</b>	4,210,450	<b>1,119,417</b>	4,210,450
Carrying value of fixed assets	<b>(1,078,465)</b>	(4,057,338)	<b>(1,078,465)</b>	(4,057,338)
	<b>40,952</b>	153,112	<b>40,952</b>	153,112

**6. INTEREST RECEIVABLE AND OTHER INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Interest receivable and similar	<b>5,477</b>	<i>34,735</i>	<b>5,477</b>	<i>34,735</i>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Loans and bank overdrafts	<b>3,652,039</b>	<i>3,315,093</i>	<b>3,652,039</b>	<i>3,315,093</i>

**8. EMPLOYEES**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>No.</b>	<i>No.</i>	<b>No.</b>	<i>No.</i>
<b>Average monthly number of employees expressed in full time equivalents:</b>				
Administration	<b>23</b>	<i>21</i>	<b>23</b>	<i>21</i>
Development	<b>1</b>	<i>1</i>	<b>1</b>	<i>1</i>
Housing, support and care	<b>98</b>	<i>93</i>	<b>98</b>	<i>93</i>
	<b>122</b>	<i>115</i>	<b>122</b>	<i>115</i>

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
<b>Employee costs:</b>				
Wages and salaries	<b>2,803,594</b>	<i>2,567,669</i>	<b>2,803,594</b>	<i>2,567,669</i>
Social security costs	<b>208,905</b>	<i>189,216</i>	<b>208,905</b>	<i>189,216</i>
Other pension costs	<b>357,507</b>	<i>331,761</i>	<b>357,507</b>	<i>331,761</i>
	<b>3,370,006</b>	<i>3,088,646</i>	<b>3,370,006</b>	<i>3,088,646</i>

**Other pension costs**

The employees of the Group participate in one of two pension schemes. These are the Lincolnshire County Council Local Government Pension Fund (LCCPF) and the Social Housing Pension Scheme (SHPS). Both are defined benefit pension schemes.

**8. EMPLOYEES (CONTINUED)**

The LCCPF is open to employees of the Group who transferred from West Lindsey District Council to the Group on 18 October 1999 and Sheffield Homes on 19<sup>th</sup> March 2007, under the Transfer of Undertaking Protection of Employment rights European Community Acquired Directive 1999. The employees concerned must have participated in the scheme on the day of transfer and have maintained their participation since that date.

The SHPS is open to all executive officers and employees of the Group.

**Social Housing Pension Scheme**

The Social Housing Pension Scheme is a multi-employer, defined benefit, final salary pension scheme administered by the Pensions Trust. The scheme is funded by, and is contracted out of, the state scheme. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers and, due to the nature of the scheme, the income and expenditure account charge for the period under FRS 17 represents the employers' contribution payable.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

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

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 and Company has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31<sup>st</sup> March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 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.

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.

For the final salary scheme, the Group and Company paid employers' contributions to the scheme at the rate of 16.00% of pensionable salaries, throughout the year. Payments of employers' contributions to the scheme for the financial year amounted to £138,628 (2008: £145,975). Members' contributions varied between 4.50% and 6.50%, depending on the age of the individual at the date of joining the scheme.

For the career average revalued earnings (CARE) scheme, the Group and Company paid employers' contributions to the scheme at the rate of 11.50% of pensionable salaries, throughout the year. Payments of employers' contributions to the scheme for the financial year amounted to £57,276 (2008: £21,522). Members' contributions varied between 5.5% and 7.5%, depending on the age of the individual at the date of joining the scheme.

**8. EMPLOYEES (CONTINUED)**

Triennial actuarial valuations of the scheme are performed by a qualified actuary using the 'projected unit credit' method. The most recent formal valuation of the scheme, for which final results are currently available, was performed as at 30 September 2008. The market value of the scheme's assets at that date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of some £663 million (equivalent to a past service funding level of 70%). The following notes therefore relate to the formal valuation of September 2008.

The financial assumptions underlying the valuation as at 30<sup>th</sup> September 2008 were as follows:

	% per annum
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 rate that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

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

**8. EMPLOYEES (CONTINUED)**

Employers that participate in the SHPS 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.

New employers joining the SHPS 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 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.

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 Board will consider that the likelihood of occurrence on either of these events to be remote. The debt for the scheme as a whole is calculated by comparing the liabilities of 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.

The Group and Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the scheme as at 30 September 2008. As of that date the Group's estimated employer debt was £3.0million.

The Group and Company also participate in the Pensions Trust's Growth Plan.

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

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

**8. EMPLOYEES (CONTINUED)**

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the funding position of the Plan by comparing the assets with past service liabilities as at the valuation date. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns. If the actuarial valuation reveals a deficit the Trustee will agree recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions borne by the member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Group and Company offers the Growth Plan as an AVC investment option for members of the Social Housing Pension Scheme. The members pay contributions at a rate of their choice. The Group and Company does not pay any contributions to the Growth Plan. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The last formal actuarial valuation was carried out at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	<b>% per annum</b>
Investment return pre retirement	<b>7.6</b>
Investment return post retirement :	
Actives / Deferreds	<b>5.1</b>
Pensioners	<b>5.6</b>
Bonus on accrued benefits	<b>0.0</b>
Rate of price inflation	<b>3.2</b>

In determining the Investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

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.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time.

**8. EMPLOYEES (CONTINUED)**

In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement and 5.6% per annum post retirement.

A copy of the recovery plan 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). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Pensions Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group and Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the scheme as at 30 September 2008. As of that date the Group's estimated employer debt was £Nil.

**The Lincolnshire County Council Local Government Pension Fund**

The Lincolnshire County Council Local Government Pension Fund (LCCPF) is a multi-employer defined benefit final salary pension scheme administered by Lincolnshire County Council under the regulations governing the Local Government Pension Scheme (LGPS). The scheme is funded and is contracted out of the state scheme. In the LCCPS, it is possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

The Group and Company paid employers' contributions to the scheme at rates of 18.9% of pensionable salaries, throughout the year. Payments of employers' contributions to the scheme for the financial year amounted to £175,000 (2008:£144,000). Included within this amount is a one off payment of £35,913 for the capital cost (pension strain) of pre-funding the early retirement of certain employees. Members' contributions vary between 5.0% and 6.0%.

**8. EMPLOYEES (CONTINUED)**

Triennial actuarial valuations of the scheme are performed by a qualified actuary using the 'projected unit' method. The most recent formal actuarial valuation of the scheme was performed as at 31 March 2007 and rolled forward to 31 March 2009 by a qualified independent actuary. The market value of the scheme's assets as at that date was £1,143 million. The valuation revealed a shortfall of assets compared with the value of liabilities of some £188 million (equivalent to a past service funding level of 86%).

The financial assumptions underlying the valuation were as follows:

	<b>% per annum relative to inflation</b>
Rate of return on future contributions (current market conditions)	<b>3.4</b>
Rate of return on future contributions (longer term)	<b>3.1</b>
Rate of salary increases	<b>1.5</b>
Rate of pension increases	<b>0.0</b>

**FRS 17 Financial assumptions**

The major assumptions used by the actuary in assessing the LCCPS liabilities on an FRS 17 basis are as follows:

	<b>31 March 2009 % per annum</b>	<i>31 March 2008 % per annum</i>
Rate of salary increases	<b>4.6</b>	5.1
Rate of pension increases	<b>3.1</b>	3.6
Rate of price increases	<b>3.1</b>	3.6
Discount rate	<b>6.9</b>	6.9
Expected return on assets	<b>6.4</b>	7.1

The expected return on assets is based on the average of the expected rate of return from each asset class, weighted by the scheme's asset holdings.

**Mortality assumptions**

The post-retirement mortality assumptions used to value the benefit obligation at March 2008 and March 2009 are based on the PFA92 and PMA92 tables projected to calendar year 2033 for non pensioners and 2017 for pensioners.

Within the past three years, investigations have been carried out by the scheme actuaries into the mortality experience of the association's scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65

	<b>2009 No. of years</b>	<i>2008 No. of years</i>
Retiring today:		
Males	19.6	19.6
Females	22.5	22.5
Retiring in 20 years:		
Males	20.7	20.7
Females	23.6	23.6

**8. EMPLOYEES (CONTINUED)**

**Amounts recognised in the balance sheet**

	<b>2009</b>	2008
	£	£
Fair value of assets	<b>4,327,000</b>	5,382,000
Present value of liabilities	<b>(6,240,000)</b>	(6,385,000)
Deficiency	<b>(1,913,000)</b>	(1,003,000)
Deferred tax asset	-	-
Net pension liability	<b>(1,913,000)</b>	(1,003,000)

**Analysis of the amount chargeable to the income and expenditure account**

	<b>2009</b>	2008
	£	£
Current service cost	<b>115,000</b>	163,000
Past service cost	<b>49,000</b>	-
Losses on curtailments	<b>36,000</b>	-
Expected return on pension scheme assets	<b>(380,000)</b>	(427,000)
Interest on pension scheme liabilities	<b>439,000</b>	397,000
Total operating charge	<b>259,000</b>	133,000

£200,000 (2008: £163,000) was charged to the operating costs and £59,000 was charged (2008: £30,000 was credited) to other finance costs/income. For the year ending 31 March 2010 the Group and Company expect to contribute £131,000 to the scheme.

**Analysis of the amounts recognised in the statement of total recognised surpluses and deficits**

	<b>2009</b>	2008
	£	£
Actuarial (loss) / gain	<b>(826,000)</b>	310,000

**Changes in the present value of defined obligations**

	<b>2009</b>	2008
	£	£
Opening defined benefit obligation	<b>6,385,000</b>	7,345,000
Current service cost	<b>115,000</b>	163,000
Past service cost	<b>49,000</b>	-
Interest cost	<b>439,000</b>	397,000
Losses on curtailments	<b>36,000</b>	-
Contributions by members	<b>42,000</b>	42,000
Actuarial (gains)	<b>(576,000)</b>	(1,368,000)
Benefits paid	<b>(250,000)</b>	(194,000)
Closing defined benefit obligation	<b>6,240,000</b>	6,385,000

**8. EMPLOYEES (CONTINUED)**

**Changes in the fair value of plan assets**

	<b>2009</b>	2008
	<b>£</b>	£
Opening fair value of plan assets	<b>5,382,000</b>	6,021,000
Expected return on assets	<b>380,000</b>	427,000
Contributions by members	<b>42,000</b>	42,000
Contributions by employer	<b>139,000</b>	144,000
Gains on curtailments	<b>36,000</b>	-
Actuarial (losses)	<b>(1,402,000)</b>	(1,058,000)
Benefits paid	<b>(250,000)</b>	(194,000)
	<hr/>	<hr/>
Closing fair value of plan assets	<b>4,327,000</b>	5,382,000
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2009</b>	2008
Equities	<b>64%</b>	68%
Bonds	<b>21%</b>	17%
Property	<b>14%</b>	14%
Cash	<b>1%</b>	1%
	<hr/>	<hr/>
Total	<b>100%</b>	100%
	<hr/> <hr/>	<hr/> <hr/>

**Actual return on plan assets**

	<b>2009</b>	2008
	<b>£</b>	£
Actual return on plan assets	<b>(1,004,000)</b>	(299,000)
	<hr/> <hr/>	<hr/> <hr/>

**History of experience gains and losses**

	<b>2009</b>	2008	2007	2006	2006
	<b>£</b>	£	£	£	£
<b>Present value of defined benefit obligation</b>	<b>(6,240,000)</b>	(6,385,000)	(7,345,000)	(7,286,000)	(5,959,000)
<b>Fair value of scheme assets</b>	<b>4,327,000</b>	5,382,000	6,021,000	5,531,000	4,373,000
<b>(Deficit) on scheme</b>	<b>(1,913,000)</b>	(1,003,000)	(1,324,000)	(1,755,000)	(1,577,000)
<b>Experience gains / (losses) on assets</b>	<b>(1,406,000)</b>	(1,058,000)	16,000	735,000	173,000
<b>Experience gains / (losses) on liabilities</b>	<b>-</b>	302,000	(1,000)	3,000	230,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## 9. BOARD MEMBERS AND EXECUTIVE OFFICERS

	Basic salary £	Benefits in kind £	Pension contr'ns £	2009 Total £	2008 Total £
<b>Chief Executive</b>					
V.A Waby	100,459	1,223	13,919	115,601	112,932
<b>Business &amp; Investment Director</b>					
N.S Thompson	80,495	1,511	11,380	93,386	91,333
<b>Operations Director</b>					
P. Woollam	73,654	1,270	7,649	82,573	44,752
<b>Housing Director</b>					
S.L. Wardrope	-	-	-	-	6,205
<b>Finance Director</b>					
N.D Smurthwaite	60,228	875	6,040	67,143	77,078
<b>Board Members</b>					
J. Jenkinson	2,417	-	-	2,417	8,076
R. Buttery	6,762	-	-	6,762	2,671
R. Barker	2,483	-	-	2,483	415
J. Cawdell	2,955	-	-	2,955	415
P. Clay	3,284	-	-	3,284	2,700
B. Coleman	-	-	-	-	-
G. Keen	967	-	-	967	3,231
J. Milne	1,488	-	-	1,488	3,231
A. Monighan	2,784	-	-	2,784	3,231
R. Must	3,544	-	-	3,544	415
M. Richardson	1,196	-	-	1,196	-
T. Slack	571	-	-	571	-
G. Wing	2,238	-	-	2,238	415
D. Winn	1,613	-	-	1,613	2,124
S. Farley	-	-	-	-	1,804
P. Foster	-	-	-	-	1,748
D. Mackin	-	-	-	-	1,031
Aggregate emoluments	<b>347,138</b>	<b>4,879</b>	<b>38,988</b>	<b>391,005</b>	363,804

Expenses paid during the year to Board members amounted to £8,013 (2008: £4,010). The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £101,682 (2008: £99,418).

The chief executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. Acis Group Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

**10. TAX ON SURPLUS / (DEFICITS) ON ORDINARY ACTIVITIES**

The corporation tax charge for the year is £Nil (2008: £Nil).

The tax assessed is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Surplus / (deficit) on ordinary activities before tax	<b>955,896</b>	<i>(113,341)</i>	<b>920,006</b>	<i>24,314</i>
Surplus / (deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 : 30%)	<b>267,651</b>	<i>(34,002)</i>	<b>257,602</b>	<i>7,294</i>
Effects of:				
- expenses not deductible for tax purposes	<b>184,871</b>	<i>154,712</i>	<b>178,410</b>	<i>146,846</i>
- capital allowances for the year in excess of depreciation	<b>7,871</b>	<i>12,968</i>	<b>7,871</b>	<i>12,968</i>
- Other timing differences	<b>(23,653)</b>	<i>16,888</i>	<b>(7,143)</b>	<i>16,888</i>
- tax losses for future set off	<b>(482,963)</b>	<i>(150,566)</i>	<b>(482,963)</b>	<i>(150,566)</i>
- losses group relieved	-	-	-	<i>17,192</i>
- unrecognised deferred tax	<b>46,223</b>	-	<b>46,223</b>	-
- dividend	-	-	-	<i>(50,622)</i>
<b>Current tax charge</b>	<b>-</b>	<i>-</i>	<b>-</b>	<i>-</i>

**Factors that may affect future tax charges**

The following deferred tax asset primarily due to the availability of losses to carry forward has not been recognised in the accounts. Because of the number of years before the losses will be utilised it is considered imprudent to recognise the assets at the year end.

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Unrecognised deferred tax	<b>3,418,780</b>	<i>3,772,255</i>	<b>3,316,056</b>	<i>3,653,021</i>

## 11. TANGIBLE FIXED ASSETS – PROPERTIES

## Group and Company

	Social housing properties held for letting £	Non-social housing properties held for letting £	Total housing properties held for letting £	Social housing properties under construction £	Total housing to let properties under construction £	Completed shared ownership housing properties £	Shared ownership properties under construction £	Total £
<b>Cost</b>								
At 1 April 2008	44,228,292	3,924,400	48,152,692	2,661,023	2,661,023	5,657,278	2,389,174	58,860,167
Additions	4,212,691	-	4,212,691	7,088,245	7,088,245	(428,741)	4,485,481	15,357,676
Schemes completed in year	5,755,980	-	5,755,980	(5,755,980)	(5,755,980)	4,412,552	(4,412,552)	-
Disposals	(223,106)	-	(223,106)	-	-	(1,010,822)	-	(1,233,928)
At 31 March 2009	<b>53,973,857</b>	<b>3,924,400</b>	<b>57,898,257</b>	<b>3,993,288</b>	<b>3,993,288</b>	<b>8,630,267</b>	<b>2,462,103</b>	<b>72,983,915</b>
<b>Depreciation and impairment</b>								
At 1 April 2008	2,850,298	171,798	3,022,096	-	-	70,827	-	3,092,923
Charged in year	387,265	32,410	419,675	-	-	49,342	-	469,017
Eliminated on disposals	(179,069)	-	(179,069)	-	-	(991)	-	(180,060)
At 31 March 2009	<b>3,058,494</b>	<b>204,208</b>	<b>3,262,702</b>	-	-	<b>119,178</b>	-	<b>3,381,880</b>
<b>Depreciated cost</b>								
At 31 March 2009	<b>50,915,363</b>	<b>3,720,192</b>	<b>54,635,555</b>	<b>3,993,288</b>	<b>3,993,288</b>	<b>8,511,089</b>	<b>2,462,103</b>	<b>69,602,035</b>
At 1 April 2008	41,377,994	3,752,602	45,130,596	2,661,023	2,661,023	5,586,451	2,389,174	55,767,244
<b>Social housing grant</b>								
At 1 April 2008	2,660,992	-	2,660,992	448,868	448,868	278,936	319,051	3,707,847
Additions	-	-	-	2,326,240	2,326,240	-	246,541	2,572,781
Schemes completed in year	1,719,136	-	1,719,136	(1,719,136)	(1,719,136)	285,684	(285,684)	-
At 31 March 2009	<b>4,380,128</b>	-	<b>4,380,128</b>	<b>1,055,972</b>	<b>1,055,972</b>	<b>564,620</b>	<b>279,908</b>	<b>6,280,628</b>
<b>Other grants</b>								
At 1 April 2008	2,620,358	-	2,620,358	-	-	-	-	2,620,358
Additions	2,544,000	-	2,544,000	-	-	-	-	2,544,000
At 31 March 2009	<b>5,164,358</b>	-	<b>5,164,358</b>	-	-	-	-	<b>5,164,358</b>
<b>Net book value</b>								
At 31 March 2009	<b>41,370,877</b>	<b>3,720,192</b>	<b>45,091,069</b>	<b>2,937,316</b>	<b>2,937,316</b>	<b>7,946,469</b>	<b>2,182,195</b>	<b>58,157,049</b>
At 31 March 2008	36,096,644	3,752,602	39,851,521	2,212,155	2,212,155	5,307,515	2,070,123	49,439,039

**11. TANGIBLE FIXED ASSETS – PROPERTIES (CONTINUED)**

**Expenditure on works to existing properties**

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Amounts capitalised	<b>4,212,691</b>	3,608,274	<b>4,212,691</b>	3,608,274
Amounts charged to income and expenditure account	<b>3,258,927</b>	4,689,697	<b>3,269,735</b>	4,701,852
<b>Total</b>	<b>7,471,618</b>	8,297,971	<b>7,482,426</b>	8,310,126

**Social housing grant**

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Total accumulated SHG receivable at 31 March was:				
Capital grants	<b>2,209,050</b>	-	<b>2,209,050</b>	-

**Properties' book value, net of depreciation and grants, and offices' net book value (note 12) comprises:**

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Freehold land and buildings	<b>59,221,122</b>	50,526,189	<b>58,157,049</b>	49,439,039

**12. TANGIBLE FIXED ASSETS – OTHER**

**Group**

	Freehold offices £	Office fittings and equipment £	Computer equipment and software £	Motor vehicles £	Furnished accom'n £	Total £
<b>Cost</b>						
At 1 April 2008	1,720,760	324,380	920,592	247,480	2,437	3,215,649
Additions	-	686	167,232	33,681	-	201,599
Disposals	-	-	-	(4,406)	-	(4,406)
At 31 March 2009	<b>1,720,760</b>	<b>325,066</b>	<b>1,087,824</b>	<b>276,755</b>	<b>2,437</b>	<b>3,412,842</b>
<b>Depreciation and impairment</b>						
At 1 April 2008	633,610	270,913	744,933	212,221	2,437	1,864,114
Charged in year	23,077	20,034	70,529	28,204	-	141,844
Eliminated on disposals	-	-	-	(4,406)	-	(4,406)
At 31 March 2009	<b>656,687</b>	<b>290,947</b>	<b>815,462</b>	<b>236,019</b>	<b>2,437</b>	<b>2,001,552</b>
<b>Net book value</b>						
At 31 March 2009	<b>1,064,073</b>	<b>34,119</b>	<b>272,362</b>	<b>40,736</b>	-	<b>1,411,290</b>
At 31 March 2008	1,087,150	53,467	175,659	35,259	-	1,351,535

**12. TANGIBLE FIXED ASSETS – OTHER (CONTINUED)****Company**

	Office fittings and equipment £	Computer equipment and software £	Motor vehicles £	Furnished accom'n £	Total £
<b>Cost</b>					
<i>At 1 April 2008</i>	324,380	920,592	247,480	2,437	1,494,889
Additions	686	167,232	33,681	-	201,599
Disposals	-	-	(4,406)	-	(4,406)
<b>At 31 March 2009</b>	<b>325,066</b>	<b>1,087,824</b>	<b>276,755</b>	<b>2,437</b>	<b>1,692,082</b>
<b>Depreciation</b>					
<i>At 1 April 2008</i>	270,913	744,933	212,221	2,437	1,230,504
Charged in year	20,034	70,529	28,204	-	118,767
Eliminated on disposals	-	-	(4,406)	-	(4,406)
<b>At 31 March 2009</b>	<b>290,947</b>	<b>815,462</b>	<b>236,019</b>	<b>2,437</b>	<b>1,344,865</b>
<b>Net book value</b>					
<b>At 31 March 2009</b>	<b>34,119</b>	<b>272,362</b>	<b>40,736</b>	<b>-</b>	<b>347,217</b>
<i>At 31 March 2008</i>	53,467	175,659	35,259	-	264,385

**13. INVESTMENT IN SUBSIDIARIES**

As required by statute, the financial statements consolidate the results of Acis Properties Limited and Acis Management Limited, which were subsidiaries of the Company at the end of the year. The Company has the right to appoint members to the boards of the two subsidiaries and thereby exercises control over them. Acis Group Limited is the ultimate parent undertaking.

**14. PROPERTIES FOR SALE**

	2009	Group 2008	Company 2009	Company 2008
	£	£	£	£
Shared ownership properties	<b>1,338,533</b>	979,868	<b>1,338,533</b>	979,868

## 15. DEBTORS

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
<b>Due within one year</b>				
Rent and service charges receivable	416,613	395,360	416,613	395,360
Less: Provision for bad and doubtful debts	(179,010)	(194,483)	(179,010)	(194,483)
	<b>237,603</b>	200,877	<b>237,603</b>	200,877
Amounts due from group undertakings	-	-	<b>1,063,468</b>	1,122,434
Other debtors	685,336	712,890	685,336	712,890
Prepayments and accrued income	3,248,009	986,642	3,248,009	986,642
	<b>4,170,948</b>	1,900,409	<b>5,234,416</b>	3,022,843

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Bank overdraft	23,368	-	23,368	-
Trade creditors	1,977,897	2,611,361	1,977,897	2,611,361
Amount due to group undertakings	-	-	2	57,249
Rent and service charges received in advance	246,886	170,535	246,886	170,535
Social housing grant received in advance	3,978,278	897,469	3,978,278	897,469
Disposal proceeds fund (note 19)	86,017	299,055	86,017	299,055
Recycled capital grant fund (note 18)	83,197	80,076	83,197	80,076
Other taxation and social security	74,421	689	74,421	689
Other creditors	586,426	521,053	586,426	521,053
Accruals and deferred income	2,680,177	2,152,103	2,680,177	2,152,103
	<b>9,736,667</b>	6,732,341	<b>9,736,669</b>	6,789,590

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

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Debt (note 20)	70,150,000	62,600,000	70,150,000	62,600,000
Other creditors	-	278,053	-	278,053
	<b>70,150,000</b>	62,878,053	<b>70,150,000</b>	62,878,053

**18. RECYCLED CAPITAL GRANT FUND**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
At 1 April	<b>80,076</b>	<i>13,010</i>	<b>80,076</b>	<i>13,010</i>
Grants Recycled	-	<i>64,662</i>	-	<i>64,662</i>
Interest accrued	<b>3,121</b>	<i>2,404</i>	<b>3,121</b>	<i>2,404</i>
Balance at 31 March	<b>83,197</b>	<i>80,076</i>	<b>83,197</b>	<i>80,076</i>
Amount due for repayment to the Homes and Communities Agency	-	-	-	-

**19. DISPOSAL PROCEEDS FUND**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
At 1 April	<b>299,055</b>	<i>227,344</i>	<b>299,055</b>	<i>227,344</i>
Net sale proceeds recycled	-	<i>62,116</i>	-	<i>62,116</i>
Interest accrued	<b>11,962</b>	<i>9,595</i>	<b>11,962</b>	<i>9,595</i>
Development of Properties	<b>(225,000)</b>	-	<b>(225,000)</b>	-
Balance at 31 March	<b>86,017</b>	<i>299,055</i>	<b>86,017</b>	<i>299,055</i>

**20. DEBT ANALYSIS**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
<b>Due after more than one year</b>				
Bank loans	<b>70,150,000</b>	<i>62,600,000</i>	<b>70,150,000</b>	<i>62,600,000</i>

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
After five years	<b>70,150,000</b>	<i>62,600,000</i>	<b>70,150,000</b>	<i>62,600,000</i>
	<b>70,150,000</b>	<i>62,600,000</i>	<b>70,150,000</b>	<i>62,600,000</i>

The bank loans form part of a £126 million facility arranged to acquire the housing stock, finance a full programme of catch-up repairs and improvements, and to develop new housing stock. The facility is being drawn down to carry out these activities. It is anticipated that the debt will peak in 2012 and be fully repaid by 2027. The loans drawn as at 31 March 2008 are fixed for periods with maturities between one month and 25 years, at interest rates of 4.31% to 6.59%, plus margin and MCR's. Interest is charged on the overdraft at a rate of Base plus 1%.

**20. DEBT ANALYSIS (CONTINUED)**

The bank loan is secured by a fixed charge on the housing stock and by a floating charge over the assets of the Company.

**21. PROVISION FOR DEFERRED TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
Accelerated capital allowances	-	4,231	-	4,231
Short term timing differences	-	(4,231)	-	(4,231)
<b>Provision for deferred tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There was no charge for deferred tax in the income and expenditure account during the year.

**22. NON-EQUITY SHARE CAPITAL**

	<b>2009</b>	<i>2008</i>
	<b>No.</b>	<i>No.</i>
<b>Shares of £1 issued</b>		
At 1 April 2008 and 31 March 2009	<b>23</b>	23

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. The shares have been issued to members and are payable in the event of a winding up. Members' liability is limited to £1 for each share held in the event of a winding up.

**23. RESERVES**

	<b>Group</b>	<b>Company</b>
	<b>Revenue</b>	<b>Revenue</b>
	<b>Reserve</b>	<b>Reserve</b>
	<b>£</b>	<b>£</b>
At 1 April 2008	<b>(16,762,866)</b>	<b>(16,784,829)</b>
Surplus for the year	<b>955,896</b>	<b>920,006</b>
Actuarial (loss) relating to pension scheme	<b>(826,000)</b>	<b>(826,000)</b>
At 31 March 2009	<b>(16,632,970)</b>	<b>(16,690,823)</b>

**24. ACCOMMODATION IN MANAGEMENT**

At the end of the year accommodation in management for each class of accommodation was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>No.</b>	<i>No.</i>	<b>No.</b>	<i>No.</i>
<b>Social housing</b>				
General housing	<b>4,549</b>	<i>4,517</i>	<b>4,549</b>	<i>4,517</i>
Elderly persons' accommodation	<b>251</b>	<i>251</i>	<b>251</b>	<i>251</i>
Supported housing	<b>4</b>	<i>4</i>	<b>4</b>	<i>4</i>
Shared ownership	<b>187</b>	<i>143</i>	<b>187</b>	<i>143</i>
Total owned and managed	<b>4,991</b>	<i>4,915</i>	<b>4,991</b>	<i>4,915</i>
<b>Non-Social housing</b>				
Market rent	<b>16</b>	<i>16</i>	<b>16</b>	<i>16</i>
Total owned	<b>16</b>	<i>16</i>	<b>16</b>	<i>16</i>

**25. FINANCIAL COMMITMENTS**

Capital expenditure commitments were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<i>2008</i>	<b>2009</b>	<i>2008</i>
	<b>£</b>	<i>£</i>	<b>£</b>	<i>£</i>
<b>Capital expenditure</b>				
Expenditure contracted for but not provided in the accounts	<b>21,034,971</b>	<i>12,052,347</i>	<b>21,034,971</b>	<i>12,052,347</i>

**Operating leases**

The Group and Company are not committed to make any payments in the next year under operating leases.

**26. CONTINGENT LIABILITIES**

The Group and Company had no contingent liabilities at 31 March 2009 (2008: nil).

**27. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2009 £	2008 £
Operating surplus	4,620,506	2,983,905
Depreciation of tangible fixed assets	137,437	159,552
Depreciation of properties (net)	469,017	476,766
Surplus on disposal of tangible fixed assets	(100)	(5,520)
Pensions operating charge (net)	25,000	19,000
	<b>5,251,860</b>	<b>3,633,702</b>
<b>Working capital movements</b>		
Properties for sale	(358,665)	646,955
Stock	(10,104)	(5,603)
Debtors	(62,988)	(355,475)
Creditors	(303,394)	(4,685,967)
Net cash inflow / (outflow) from operating activities	<b>4,516,709</b>	<b>(766,388)</b>

**28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2009 £	2008 £
(Decrease) in cash	(124,274)	(4,185,541)
Cash inflow from increase in debt	(7,550,000)	(4,300,000)
<b>Increase in net debt from cash flows</b>	<b>(7,674,274)</b>	<b>(8,485,541)</b>
Net debt at 1 April	(62,441,056)	(53,955,515)
<b>Net debt at 31 March</b>	<b>(70,115,330)</b>	<b>(62,441,056)</b>

**29. ANALYSIS OF NET DEBT**

	1 April 2008 £	Cash flow £	31 March 2009 £
Changes in cash	158,944	(124,274)	34,670
Loans received	(62,600,000)	(7,550,000)	(70,150,000)
<b>Changes in net debt</b>	<b>(62,441,056)</b>	<b>(7,674,274)</b>	<b>(70,115,330)</b>

**30. RELATED PARTIES**

There were four tenant members of the board during the year, Jessie Milne, Trevor Slack, Michael Richardson and David Winn. Their tenancies were on normal commercial terms and they were not able to use their position to their advantage.

One Board member, Jessie Milne, who retired from the Board in September 2008, is a councillor with West Lindsey District Council, a local authority having nomination rights over tenancies for certain groups of properties. All transactions with the council are on normal commercial terms and Jessie Milne was not able to use her position to her advantage.

**31. STOCK TRANSFER OBLIGATIONS**

Immediately prior to entering into the Stock Transfer Agreement between Sheffield City Council ("the Council") and Acis Group, the Council and Acis Group entered into a contract for Acis Group to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works i.e. £26.7 million. At transfer Acis Group contracted with the Council to acquire the benefit of the agreed refurbishment works (£26.7 million) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition (£nil). The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled Acis Group to recover VAT on repair/improvement costs that would otherwise have been expensed.

At the time of the transfer Acis Group paid over a net cash amount of £nil to the Council, representing the acquisition of the properties in their unenhanced condition (£nil) and the value of the Council's obligation to carry out the refurbishment works (£26.7 million), less the amount due to be incurred by Acis Group under the Development Agreement in relation to the anticipated cost of the repairs/improvements (£26.7 million).

The impact of these two transactions is that whilst the Council has a legal obligation to Acis Group to complete the refurbishment works; this work has been contracted back to Acis Group who are also legally obligated. The underlying substance of the transaction is therefore that Acis Group has acquired the properties in their existing condition at their agreed value, and will complete certain repairs/improvements in line with guarantees to Tenants of not less than £26.7 million. In the opinion of the directors, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 5 the resulting debit and credit balances, relating to the legal obligation of the council to complete the refurbishment works for Acis Group and the equal and opposite legal obligation of Acis Group to perform the refurbishment works for the council, have been offset and are not recorded in the balance sheet.

At 31 March 2009 £9,415,013 (2008: £4,629,257) of the refurbishment works had been completed.