



**Report and
Financial Statements
2008/2009**



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**WESTLEA HOUSING
ASSOCIATION LIMITED**
REPORT AND FINANCIAL STATEMENTS

◆ Year ended 31 March 2009 ◆

REPORT AND FINANCIAL STATEMENTS

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BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board:

Chair R Marshall
Vice Chair A Bucknell

Other Members

R Brooke
A Clapp
D Line
T Pearce
M Reilly
H Taylor-Knox
I Tomlinson
R Harvey (from 16 September 2008)
I Williams

D Bligh (to 19 May 2008)
D Wheeler (to 16 September 2008)

Managing Director

A Cornelius

Secretary:

L Whordley Hughes

Registered office:

Methuen Park
Chippenham
Wiltshire
SN14 OGU

External auditors:

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

Registered number

Registered as a charitable social landlord under the Industrial and Provident Societies Acts, No. 28095R.

Registered by the Housing Corporation, No. LH4083

Principal solicitors:

Anthony Collins	Bevan Brittan	Blake Laphorn
34 Edmund Street	Kings Orchard	Tarlo Lyons
Birmingham	1 Queens Street	Harbour Court
B3 2ES	Bristol	Compass Road
	BS2 0HQ	North Rd Harbour
		Portsmouth

Principal bankers:

National Westminster Bank PLC
30 High Street
Chippenham
Wiltshire
SN15 3HB

REPORT OF THE MANAGEMENT BOARD

The Management Board has pleasure in presenting the Association's audited financial statements for the year ended 31 March 2009.

Principal activities

Westlea Housing Association ('WHA' or 'the Association') is a not-for-profit organisation administered by a Management Board and involved in the provision and administration of affordable rented accommodation. WHA managed 6,798 units of accommodation (of which it owned 6,504) as at 31 March 2009. The Association employed 205 staff.

On 1 April 2008, Westlea Housing Association Ltd entered into a Group Structure with Oxford Citizens Housing Association Ltd and a commercial subsidiary Oakus Estates Ltd. All entities became subsidiaries of the newly created GreenSquare Group Limited (GreenSquare). GreenSquare is a non asset holding Industrial and Provident Society, registered with the Tenant Services Authority(TSA) as a social landlord.

The GreenSquare Group ('the Group') aims to be a major provider of housing, regeneration, care and support and commercial services across Wiltshire, Oxfordshire, Gloucestershire and the surrounding areas.

Any surpluses made by WHA are retained within the Group of which it is a subsidiary.

Business review

Details of WHA's performance for the year and future plans are set out in the Operating and Financial Review that follows this report.

Efficiency

The Board is committed to delivering an effective and efficient service to tenants and other stakeholders and plans to employ a range of techniques to increase efficiency including re-evaluating procurement strategies, partnering with contractors for new build and reducing staff turnover, sickness and absenteeism.

Employees

The quality of WHA's staff is essential to the success of the organisation. The Association's ability to meet its objectives and commitments to residents in an efficient and effective manner depends on the contribution of employees throughout the Group. The Group has Investors in People accreditation, and aims to be an employer of choice in the area in which it works.

The Group is committed to working towards equal opportunities for all its employees and continues to invest in staff training and development and has improved systems of appraisal and performance management.

REPORT OF THE MANAGEMENT BOARD *continued*

Board members and executive directors

Those Board members who served during the period and the Association's Managing Director are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

From 1 April 2008, GreenSquare has provided a range of central services – governance, finance, development, human resources and information technology – to the Association, under the scope of an intra group agreement. From that time, the Chief Executive and the Group Director of Finance & IT have been employed directly by GreenSquare, providing services via the intra group agreement. The Operations Director has been re-designated as the Association's Managing Director. The Group Corporate Services Director holds the position of Secretary to the Board. Other members of the Group executive team will attend meetings of the Board as appropriate but are not members.

The Managing Director holds no interest in the Association's shares and has been co opted to and acts within the authority delegated by the Board.

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

The Board

The Board comprises up to twelve non-executive members and is responsible for the Association's strategy and policy framework and managing the affairs of the Association.

Following creation of the GreenSquare Group, the Board delegated the day-to-day management and implementation of that framework (via the Intra Group Agreement) to the Group Chief Executive and other members of the Group's executive team although responsibility for the implementation remains with the Association's Managing Director. The Association's Managing Director is a member of the Group's executive team.

Board Membership

Under the terms of the Intra Group Agreement, the GreenSquare Group Membership Committee has nomination rights over the appointment of the Association's Board members. Independent members are selected by a panel of Board members (including the Chair and the Group Chief Executive) following public advertisement for recruitment. Tenant Board Members are selected under arrangements put in place by the main tenant liaison body, the District Forum.

Remuneration policy

The Remuneration Committee, comprising the Chair and a minimum of two other Board members, is responsible for setting the Association's remuneration policy for its Managing Director and other staff. The committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the staff. Basic salaries are set having regard to the Managing Director's responsibilities and pay levels for comparable positions.

Service contracts

The Managing Director is employed on the same terms as other staff - their notice periods are three months.

Health and safety

The Board is very much aware of its responsibilities on all matters relating to health and safety. The Group has adopted detailed health and safety policies and provides Board and staff training and education on health and safety matters, as well as having a post with responsibility for safety.

REPORT OF THE MANAGEMENT BOARD *continued*

Statement of the Responsibilities of the Management Board for the Report and Financial Statements

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

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the end of the year and of the surplus or deficit of the Association for the year then ended.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, 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 Association 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 Association's 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.

NHF Code of Governance

The Association complies with the principal recommendations of the NHF Code of Governance (revised 2004) and has adopted a number of policies and procedures to help achieve these objectives.

Internal controls assurance

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and 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 Association 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. On 1 April 2008 a Group Audit Committee was formed to oversee the internal control framework for all companies within the Group. The Group Audit Committee received and considered reports from management on these risk management and control arrangements at each meeting during the year and the Board received its annual risk report in May 2009 and regularly during the year.

REPORT OF THE MANAGEMENT BOARD *continued*

Key elements of the control framework include:

- Board approved terms of reference, including from 1 April 2008, a detailed intra group agreement with its parent company, GreenSquare Group Limited, supported by detailed service level agreements and delegated authorities for audit and remuneration committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- review of the Association's risks by the Board and Group Audit Committee;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a sophisticated approach to treasury management which is subject to external review on a regular basis;
- regular reporting to senior management and the Board/appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing, disciplinary and capability policy which covers expectations of fraud; code of conduct; and
- detailed policies and procedures in each area of the Association's work.

During the year there was a minor fraud reported within the direct works department. The overall value of the fraud was estimated to be around £5,000 and was reported to the TSA. The Group Audit Committee requested an internal audit review of internal controls in this sensitive area. The outcome of the review was reported in February 2009 and action taken on recommendations was reported to and monitored by the Group Audit Committee

The Board accepts ultimate responsibility for the system of internal control, including the review of the effectiveness of the system of internal control. From 1 April 2008, overall responsibility for Audit has transferred to the Group Audit Committee who liaise directly with the Company's Board as appropriate.

The means by which the Group Audit Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, fraud reports, management assurances, the external management letter and specialist reviews on areas such as treasury, health and safety, and efficiency.

The Board has received the Chief Executive's and Group Director of Finance & IT annual review of the effectiveness of the system of internal control for the Association, together with the annual report of the internal auditor.

Going concern

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

Annual General Meeting

The annual general meeting will be held on 15 September 2009.

REPORT OF THE MANAGEMENT BOARD *continued*

Disclosure of information to auditors

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

- so far as each Board member is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware; and
- each Board member 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 Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved on 23 July 2009 and signed on its behalf by:



R Marshall
Chairman

OPERATING AND FINANCIAL REVIEW - HIGHLIGHTS - FIVE YEAR SUMMARY

For the year ended 31 March	2009	2008	2007	2006	2005
		Restated	Restated	Restated	Restated
Income and Expenditure account (£'000)					
Total turnover	28,376	25,256	24,387	23,353	20,845
Income from lettings	24,553	22,836	21,305	20,270	19,728
Operating surplus	5,813	4,931	5,104	5,299	5,501
Surplus for the year before transfers	222	896	853	1,069	709
Balance Sheet (£'000)					
Housing properties, net of depreciation	228,318	203,918	167,925	158,975	155,954
SHG and other capital grants	4,842	12,535	6,400	1,391	2,365
Housing properties net of capital grants and depreciation	223,476	191,383	161,525	157,584	153,589
Net current assets/(liabilities)	3,921	4,260	547	(2,817)	(1,373)
Loans (due over one year)	146,767	115,234	82,701	77,300	77,300
Net pension liability	4,604	2,457	4,128	4,978	4,560
Reserves : revenue	4,897	6,056	2,237	65	(919)
: revaluation	78,069	78,728	79,379	78,958	77,749
: total	82,966	84,784	81,776	79,023	76,830
Accommodation figures					
Total housing stock managed at year end (number of units):	6,798	6,529	6,275	6,260	6,187
In development	187	246	222	58	88
Statistics					
Operating surplus for the year as % of turnover	20.5%	19.5%	20.9%	22.7%	26.4%
Operating surplus for the year as % of income from lettings	23.7%	21.6%	24.0%	26.1%	27.9%
General needs stock:-					
Void rent losses (<i>voids as % of net rent and service charges receivable</i>)	0.75%	0.69%	0.88%	0.97%	0.96%
Current rent arrears (<i>gross arrears as % of net rent and service charges receivable</i>)	5.40%	4.63%	4.18%	4.40%	4.46%
Interest cover (<i>surplus before interest payable and property depreciation divided by net interest payable</i>)	1.34	1.53	1.50	1.55	1.41
Liquidity (<i>current assets divided by current liabilities</i>)	1.54	1.90	1.14	0.35	0.77
Net debt per unit (<i>housing loans divided by General Needs unit numbers</i>)	25,287	20,206	15,020	14,057	14,173

The results for 2005 to 2008 have been restated to reflect the change in accounting for the first tranche of shared ownership profits. Further details of this change are set out on page 39.

OPERATING AND FINANCIAL REVIEW

Overall performance for the year

The Association made a surplus after tax of £222,000 for the year. Our financial performance has meant we have met lenders covenants.

The net worth of the Association reduced from £85m at the beginning of the year to £83m at the end.

Significant events during the year were:

- WHA developed 261 new properties during the year and there are over 187 more properties/bed spaces on site in development.
- As a result of the increased levels of development, borrowings increased from £115.5m at the beginning of the year to £147.0m as at 31 March 2009.
- The Wiltshire Pension Scheme pension deficit increased by £2.1m during the year, to leave the deficit at £4.6m as at 31 March 2009.
- During the year the Association experienced significant effects from the credit crunch. In particular changes in the housing market (both falls in value and less mortgage availability) resulted in lower price and demand for shared ownership properties. This has been managed by converting 38 properties from shared ownership to rent. Loans became less available to RSLs, and where available more expensive. The Association has taken steps to ensure all its contractual commitments are fully covered by existing loan facilities.

Business analysis

Key business plan objectives

The Association aims to be an:

- excellent housing provider
- excellent partner
- excellent employer

It aims to expand its work in these areas:

- customer care and service delivery
- community development and quality of life initiatives
- the provision of new homes and services

From a financial perspective, this includes a focus on working more efficiently to re-invest in frontline services and the provision of more homes. The Group has a value for money and procurement strategy and is working actively to decrease costs and increase the quality of homes and services.

The nature of the business

The Association works in Wiltshire, Gloucestershire and Swindon.

The stock is predominantly general needs with some accommodation for people with support needs and sheltered accommodation. In recent years the Association has also developed a number of shared ownership properties. Demand for properties in the main is high, and property prices in our areas of operation leave the vast majority of our tenants unable to afford to buy. Over 99% of our General Needs housing meets the decent homes standard.

We have set up an asset grading system to identify “at risk” properties more effectively. We are aware that the demand is falling for a limited number of sheltered properties. A housing strategy for the elderly is being developed to tackle this.

During the period covered by the statements the housing market began a marked deterioration. The Group is well positioned to manage any resulting risks, because of the balance of assets, need and the risk management processes.

OPERATING AND FINANCIAL REVIEW *continued*

Government and regulatory changes

On the 1 December 2008 the Housing Corporation was succeeded by the Tenant Services Authority (TSA) and Homes and Communities Agency (HCA). At present the TSA has adopted the Housing Corporation standards for RSLs and is consulting on changes to these. The HCA continues to provide grant to WHA, but is also exploring more innovative funding arrangements.

The GreenSquare Group has lead partnership status with the TSA and received an allocation of £28m from it covering the next two years.

Key indicators

The Association's approach to performance management includes an outcome focussed business plan with clear targets and indicators of success summarised in a balanced scorecard, reported regularly to Board and senior management. The main indicators for next year are shown below:

- Actual surplus to be higher or equal to the budgeted surplus of £822,000
- Overall satisfaction with our service to be in the top quartile compared to our peers
- Overall satisfaction with last contact with Westlea to exceed 80%
- Overall satisfaction with repairs and maintenance to be maintained at 87%
- 100% emergency repairs and 99% of urgent and routine repairs to be completed within target times
- Tenants believing rent is good value for money to exceed 83%
- Empty properties to be re let in under 3 weeks
- Pipeline of new homes to be over 500
- Staff satisfaction with Westlea as an employer to be maintained at 85%

Operating review

- Rents – WHA continues to comply with the regulators expectations on rents on its houses. Increases above inflation were again made to some garages from April 2008.
- The turnover of the Association has grown by £3.1m which is a rise of 12% on last year. Operating costs have risen by 11%, compared to last year.
- During the year the Association sold 3 Right to Buy properties. This was offset by the development of 261 new houses which came into management during the year. The Association is actively growing its development pipeline and aims to build 474 new properties by April 2011.
- Tax and charitable status. The Association converted to charitable status in November 2004. The Association anticipates paying a tax charge for the year. This is because the transfer of Oakus Estates Ltd to GreenSquare crystallises a taxable capital gain on market rent properties sold by WHA to Oakus prior to conversion to charitable status.
- Overall the Association's net worth decreased from £84.8m to £83.0m. This is a result of revenue reserves reducing by £1.2m, and a drop in revaluation reserves of £0.7m. The last formal valuation of social housing properties was carried out on 31 March 2007.

OPERATING AND FINANCIAL REVIEW *continued*

Financial review

This section sets out how the Association is financed and, in particular, how borrowings are managed.

As at 31 March 2009 the Association has borrowed £147m, an increase of £31.5m on the previous year. Of this £147m, 65% of debt was fixed at rates of between 3.54% and 5.97%, with the rest at a average variable rate of 3.14% at the year end. The Association's overall facility is £170m. Net interest costs were £5.3m for the year. Our financial performance has meant we have met lenders' covenants.

The Association aims to fix at least 60% of its debt, with maturities spread over the medium term.

We anticipate that a significant amount of the facility will be drawn down over the next three to five years to fund our growing development programme.

On 1 April 2008 the Association's one year revolving facility was not reinstated. This means that the Association has more cash to invest than in previous periods.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the SORP: 'Accounting by Registered Social landlords' (2008).



Ann Cornelius
Managing Director
23 July 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WESTLEA HOUSING ASSOCIATION LIMITED**

We have audited the Association financial statements of Westlea Housing Association Limited for the year ended 31 March 2009 on pages 13 to 41 which have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with regulations made under section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association'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 Industrial and Provident societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the report of the board is not consistent with the financial statements, if the association has not kept proper accounting records or maintained a satisfactory system of control over its transactions, or if we have not received all the information and explanations we require for our audit.

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 report of the board and the report of the board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2009 and of its surplus for the year then ended.
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Bristol, England
23 July 2009

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2009

		2009	2008
	Note	£'000	Restated £'000
Turnover: continuing activities	3	28,376	25,256
Operating costs	3	(22,563)	(20,325)
		<hr/>	<hr/>
Operating surplus: continuing activities	3,7	5,813	4,931
Deficit on sale of housing properties	5	(23)	(2)
Deficit on sale of other fixed assets		-	(2)
Gift aid covenant		-	237
Interest receivable and other income	8	73	154
Interest payable and similar charges	9	(5,372)	(4,395)
Other finance charges	10	(157)	(27)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		334	896
Tax on surplus on ordinary activities	12	(112)	-
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	23	222	896
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 41 form part of these financial statements.

**STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS
for the year ended 31 March 2009**

	Note	2009 £'000	2008 Restated £'000
Surplus for the financial year		222	896
Actuarial (deficit)/gain relating to the pension scheme	10	(2,040)	1,575
Total recognised surpluses and deficits relating to the year		<u>(1,818)</u>	<u>2,471</u>
Prior year adjustments	23	898	
Total recognised deficit since the last report		<u>(920)</u>	

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 March 2009**

	Note	2009 £'000	2008 Restated £'000
Reported surplus on ordinary activities before taxation		334	896
Realisation of property revaluation gains	23	50	34
Excess of actual depreciation charge over historical cost depreciation	23	609	616
Historical cost surplus on ordinary activities before taxation		<u>993</u>	<u>1,546</u>
Historical cost retained surplus for the year		<u>881</u>	<u>1,546</u>


**RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS
for the year ended 31 March 2009**

	Note	£'000
Opening total funds as previously stated at 1 April 2008		83,886
Prior year adjustments	23	898
Opening total funds as restated at 1 April 2008		<u>84,784</u>
Total recognised deficit relating to the year		<u>(1,818)</u>
Closing total funds		<u><u>82,966</u></u>

BALANCE SHEET
at 31 March 2009

	Note	2009 £'000	2008 Restated £'000
Tangible fixed assets			
Housing properties	13	223,476	191,383
Other tangible fixed assets	14	3,625	3,517
		227,101	194,900
Fixed asset investments	15	3,315	3,315
		230,416	198,215
Current assets			
Stock	16	2,195	4,153
Debtors	17	2,647	3,817
Investments	18	6,305	1,034
Cash at bank and in hand		56	9
		11,203	9,013
Creditors: amounts falling due within one year	19	(7,282)	(4,753)
Net current assets		3,921	4,260
Total assets less current liabilities		234,337	202,475
Creditors: amounts falling due after more than one year			
Net pension liability	20 10	146,767 4,604	115,234 2,457
		151,371	117,691
Capital and reserves			
Non-equity share capital	22	-	-
Revaluation reserve	23	78,069	78,728
Revenue reserve	23	4,897	6,056
		82,966	84,784
Association's funds		234,337	202,475

The financial statements were approved by the Board on 23 July 2009 and signed on its behalf by:



B Marshall
Chairman of the Board



A Bucknell
Vice Chair



T Jackson
On behalf of Company Secretary

CASH FLOW STATEMENT
 for the year ended 31 March 2009

	Note	2009 £'000	2008 Restated £'000
Net cash inflow from operating activities	25	10,629	2,718
Returns on investments and servicing of finance			
Interest received and similar income		73	154
Interest paid		(6,734)	(5,327)
Net cash outflow from returns on investment and servicing of finance		(6,661)	(5,173)
Capital expenditure			
Purchase and construction of housing properties		(39,944)	(35,347)
Social housing grant received		10,043	6,150
Purchase of other fixed assets		(478)	(667)
Sale of properties - proceeds		229	-
Net cash outflow from investing activities		(30,150)	(29,864)
Net cash outflow before liquid resources and financing		(26,182)	(32,319)
Management of liquid resources			
Cash withdrawn from money market deposits		(5,271)	(451)
Financing			
Loans drawn down	26	31,500	32,500
Increase/(decrease) in cash	26	47	(270)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965, has charitable status and is registered with the TSA as a social landlord.

2. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) 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. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

The prior period adjustment reflects a change in the accounting policy for shared ownership first tranche sales under SORP 2008. The effect of the change is shown in more detail in Note 29.

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 the sale.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Value added tax

The Association 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 Association and is not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

Pensions

The Association participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS'), the Pension Trust's Growth Plan ('PTGP') and the Wiltshire County Council Pension Fund ('WCCPF').

For the SHPS and PTGP 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 contributions payable to the scheme for the accounting period.

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

Supported housing managed by agencies

Social housing capital grants are claimed by the Association as developer and owner of the property and included in the balance sheet of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Association and its managing agents and on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association.

Housing properties

Housing properties are principally properties available for rent and shared ownership.

Completed housing properties are stated at Existing Use Value for Social Housing (EUUV-SH). Full revaluations of the properties are undertaken every five years and interim valuations are carried out where there are indications of a significant change in value.

Housing properties under construction are stated at cost less related social housing grant and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties 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.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

Social housing grant

Social housing grant (SHG) is receivable from the HCA (formerly from the Housing Corporation) and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA 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 HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants

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

Depreciation of housing properties

Freehold land is not depreciated. When the value of housing properties shown in the accounts exceeds the market value of the land at the date of the valuation, depreciation is charged to write down the depreciable amount, on a straight-line basis, over the estimated useful life of the properties to the business. The rate adopted is 1.25% per annum.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

Impairment

Housing properties 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 their recoverable amount. Any such write down would be charged to operating costs unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised surpluses and deficits.

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 office buildings	75 years
Furniture, fixtures and fittings	5-10 years
Computers and office equipment	3-5 years
Motor vehicles	5-7 years

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Investments

Investments are valued at cost.

Liquid resources

Current asset investments are deposits with terms of more than seven days

Revaluation reserve

The difference between the valuation of housing properties and the historic carrying value (net of capital grants and depreciation) is credited to the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	2009		2008 Restated		
		Turnover £'000	Operating costs £'000	Turnover £'000	Operating costs £'000	Operating surplus / (deficit) £'000
Social housing lettings	4	24,443	18,250	22,734	17,661	5,073
Other social housing activities						
Architects and surveyors services		27	27	15	15	-
Management services	4	4	-	220	43	177
Supporting People contracts		698	731	698	721	(23)
Development costs not capitalised		-	411	-	483	(483)
First tranche shared ownership sales		2,944	2,843	1,307	946	361
Other		150	140	180	316	(136)
		<u>3,823</u>	<u>4,152</u>	<u>2,420</u>	<u>2,524</u>	<u>(104)</u>
Non social housing activities						
Student accommodation lettings		110	161	102	140	(38)
		<u>28,376</u>	<u>22,563</u>	<u>25,256</u>	<u>20,325</u>	<u>4,931</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

4. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing	Supported Housing & housing For older people	Temporary social housing	Care Homes	Low cost home ownership	Garages	2009 Total	2008 Restated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,756	1,222	34	90	178	562	23,842	22,365
Service charge income	244	160	-	45	6	-	455	369
Management fees	24	121	1	-	-	-	146	
Turnover from social lettings	22,024	1,503	35	135	184	562	24,443	22,734
Services	684	229	1	24	13	1	952	989
Management	6,597	1,090	34	25	218	72	8,036	6,005
Routine maintenance	3,812	230	6	21	2	96	4,167	4,006
Planned maintenance	2,935	11	-	2	-	38	2,986	4,377
Major repairs expenditure	401	14	-	-	-	-	415	791
Bad debts	210	13	-	-	-	-	223	72
Depreciation of housing properties	1,318	116	-	-	37	-	1,471	1,421
Operating costs on social housing lettings	15,957	1,703	41	72	270	207	18,250	17,661
Operating surplus on social housing lettings	6,067	(200)	(6)	63	(86)	355	6,193	5,073
Void losses	166	63	6	-	-	86	321	298

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

5. DEFICIT ON SALE OF HOUSING PROPERTIES

	2009	2008
	£'000	£'000
Proceeds	223	245
Other income	2	4
Council clawback	(157)	(119)
Cost of sales, at cost	(41)	(95)
Cost of sales, at revalued amount	(50)	(34)
Other costs	-	(3)
	<u>(23)</u>	<u>(2)</u>

6. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

The number of units of accommodation in management at the end of the year for each class of accommodation is as follows:

	2009	2008
	No.	No.
Social Housing		
General needs	5,804	5,703
Housing for older people	312	312
Care homes	25	25
Supported housing	201	71
Shared ownership	161	124
Accommodation managed on behalf of other organisations	1	2
Leasehold properties	260	258
Total owned	<u>6,764</u>	<u>6,495</u>
Non-Social Housing		
Student accommodation	34	34
Total units in management	<u>6,798</u>	<u>6,529</u>
Accommodation in development at the year end	<u>187</u>	<u>246</u>

7. OPERATING SURPLUS

This is arrived at after charging:

	2009	2008
	£'000	Restated £'000
Depreciation of other tangible assets	366	366
Depreciation of housing properties	1,486	1,421
Operating lease rentals – motor vehicles	8	8
Auditor's remuneration (including VAT)		
- for audit services	14	23
- for non-audit services	-	29

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

8. INTEREST RECEIVABLE AND OTHER INCOME

	2009 £'000	2008 £'000
Bank interest receivable	23	101
Interest from Group undertakings	50	53
	<u>73</u>	<u>154</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Loans and bank overdrafts	6,713	5,355
Other Charges	43	-
	<u>6,756</u>	<u>5,355</u>
Capitalised interest	(1,384)	(960)
	<u>5,372</u>	<u>4,395</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period	<u>5.1%</u>	<u>6.0%</u>

10. EMPLOYEES

	2009 No.	2008 No.
Average monthly number of employees (full time equivalents)		
Administration	-	41
Development	-	16
Housing	205	199
	<u>205</u>	<u>256</u>
Staff costs:	£'000	£'000
Wages and salaries	4,912	6,610
Social security costs	371	529
Other pension costs	489	785
	<u>5,772</u>	<u>7,924</u>

The Association employees are members of the Wiltshire County Council Pension Fund (WCCPF), the Social Housing Pension Scheme (SHPS) or the Pension Trust's Growth Plan (PTGP). Further information on each scheme is given below.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009
10. EMPLOYEES *continued*
(a) Wiltshire County Council Pension Fund - Scheme Closed by employer

The Association participates in the Wiltshire County Council Pension Fund, a multi-employer scheme with more than one participating employer.

The Wiltshire County Council Pension Fund is a defined benefit scheme, part of the local government Superannuation Regulation 1986 (as amended) and the calculations have been made by an independent qualified actuary. Triennial actuarial valuations have been made by a qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2007, the market value of the scheme assets at that date being £1,131m. The next formal valuation is due at 31 March 2010.

The income and expenditure charge for pension costs, the accounting policies and the disclosures are given on the basis of Financial Reporting Standard 17.

Assumptions

The major assumptions used by the actuary in assessing the scheme liabilities on a FRS 17 basis were:

	31 March 2009 % Per Annum	31 March 2008 % Per Annum	31 March 2007 % Per Annum
Salary increases	4.6	5.1	4.7
Pension increases	3.1	3.6	3.2
Discount rate	6.9	6.9	5.4
Price increases	3.1	3.6	3.2

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

Contributions

The contributions to the Wiltshire County Council Pension Fund by the Company for the year ended 31 March 2009 are shown below.

	2009 £'000	2008 £'000
Employer contributions	424	418

The employers contribution rate for 2008/2009 was 31% of pensionable pay and is expected to be 31.6% for 2009/2010.

Analysis of the amount charged to operating surplus	2009 £'000	2008 £'000
Current service costs	222	293
Curtailment and settlements	35	2
Past service costs	113	-
Total operating charge	370	295

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009
10. EMPLOYEES *continued*

Analysis of the amount charged to other finance charges	2009 £'000	2008 £'000
Expected return on pension scheme assets	782	845
Interest on pension scheme liabilities	(939)	(872)
Net charge	(157)	(27)
Fair value of employer assets		
	2009 £000	2008 £000
Equities	5,297	7,359
Bonds	1,965	2,014
Property	769	1,226
Cash	513	644
Total	8,544	11,280
Balance sheet		
	2009 £'000	2008 £'000
Fair value of employer assets	8,544	11,280
Present value of funded liabilities	(13,148)	(13,737)
Net Liability	(4,604)	(2,457)
Analysis of amount recognised in statement of total recognised surpluses and deficits		
	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(3,292)	(1,564)
Experience gains and losses arising on the scheme liabilities	-	632
Actuarial gain of the scheme liabilities	1,252	2,507
Actuarial (loss)/gain in pension plan	(2,040)	1,575
Reconciliation of defined benefit obligation		
	2009 £'000	2008 £'000
Opening defined benefit obligation	13,737	16,272
Current service costs	222	293
Interest cost	939	872
Contributions by members	85	79
Actuarial gains	(1,252)	(3,139)
Past service costs	113	-
Losses on curtailments	35	2
Estimated benefits paid	(731)	(642)
Closing defined benefit obligation	13,148	13,737

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009
10. EMPLOYEES *continued*
Reconciliation of fair value of employer assets

	2009	2008
	£'000	£'000
Opening fair value of scheme assets	11,280	12,144
Expected return on assets	782	845
Contributions by members	85	79
Contributions by employers	420	418
Actuarial losses	(3,292)	(1,564)
Benefits paid	(731)	(642)
Closing fair value of scheme assets	8,544	11,280

Amounts for the current and previous four accounting periods

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	8,544	11,280	12,144	11,382	8,897
Present value of defined benefit obligation	(13,148)	(13,737)	(16,272)	(16,425)	(13,503)
Deficit	(4,604)	(2,457)	(4,128)	(5,043)	(4,606)
Experience gains/ (losses) on assets	(3,292)	(1,564)	(182)	1,538	124
Experience gains/ (losses) on liabilities	1,252	3,139	(59)	13	950

(b) Social Housing Pension Scheme

Westlea Housing Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 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.

Westlea Housing Association has elected to operate the final salary (FS) with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the career average revalued earnings (CARE) with a 1/60th for new entrants from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

10. EMPLOYEES *continued*

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 2009 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.

During the accounting period Westlea Housing Association paid contributions at the rate of 12.9% (CARE) and 14.8% (FS). Member contributions varied between 4.1% and 7.7% depending on their age.

As at the balance sheet date there were 87 active members of the Scheme employed by Westlea Housing Association. The annual pensionable payroll in respect of these members was £2.2million. Westlea Housing Association closed the FS Scheme to new entrants on 30 September 2005, but continues to offer membership of the CARE Scheme to its employees.

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

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

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

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

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

The valuation was carried out using the following demographic assumptions.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

10. EMPLOYEES *continued*

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% pa. Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% pa.

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

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

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

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

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

10. EMPLOYEES *continued*

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

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

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

Westlea Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for Westlea Housing Association was £4.9 million.

(c) Pension Trust's Growth Plan

Westlea Housing Association participates in the Pensions Trust's Growth Plan. The plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. 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.

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 under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

10. EMPLOYEES *continued*

The rules of the Growth Plan state that the proportion of obligatory contributions to be 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.

Westlea Housing Association paid contributions at a rate between 5% and 7% during the accounting period. Members paid contributions at the rate of between 3% and 5% during the accounting period. As at the balance sheet date there were 9 active members of the Plan employed by Westlea Housing Association. Westlea Housing Association continues to offer membership of the Plan to its employees.

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

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme'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:

	%pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Active/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

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. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) 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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

10. EMPLOYEES *continued*

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 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

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.

Westlea Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. As of this date the estimated employer debt for Westlea Housing Association was £9,470.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

11. BOARD MEMBERS AND EXECUTIVE DIRECTORS

The Chairman of the Board received remuneration at a rate of £8,000 per annum (2008: £8,000).

Remuneration paid to other Board Members in respect of the year was £23,248 (2008: £26,447).

Expenses paid during the year to board members amounted to £12,118 (2008: £8,043).

There were no Executive Directors in 2009 due to their transfer on 1 April 2008 to GreenSquare Group Limited, the ultimate parent undertaking. Details of the emoluments of transferring directors are set out in the financial statements of GreenSquare Group Limited.

	2009	2008
	£'000	£'000
Total aggregate remuneration paid to the Chairman, Board Members and Executive Directors was:		
Emoluments (including benefits in kind)	8	288
Pension contributions	-	59
	<u>8</u>	<u>347</u>
Emoluments (excluding pension contributions) include amounts paid to the:		
Chief Executive being the highest paid Director	<u>-</u>	<u>110</u>

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply. Westlea Housing Association Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

12. TAX ON SURPLUS ON ORDINARY ACTIVITIES FOR THE PERIOD

(a) Analysis of tax charge in period

	2009	2008
	£'000	£'000
Current tax		
UK corporation tax on surpluses for the period	112	-
	<hr/>	<hr/>
Tax charge on surplus on ordinary activities	112	-
	<hr/>	<hr/>

(b) Factors affecting the tax charge for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK (28%), as explained below:

	2009	2008
	£'000	Restated £'000
Surplus for the year before tax	334	896
Theoretical tax of 28% (2008: 30%)	94	269
Effects of:		
Surpluses arising in charity	(94)	(269)
Gains arising in Oakus Estates Ltd	112	-
	<hr/>	<hr/>
Current tax charge for the period	112	-
	<hr/>	<hr/>

At the time Westlea Housing Association attained charitable status, a number of properties were transferred by Westlea to Oakus Estates Limited, at market value. Although the market value of the properties was greater than original cost, no corporation tax was payable by Westlea at that time on the resultant gain. However, as a consequence of the formation of the GreenSquare Group, this gain has now become chargeable to corporation tax in Oakus Estates Limited. As the resultant tax liability accrued in the period prior to which Westlea attained charitable status, Westlea has agreed to settle this tax liability on behalf of Oakus Estates Limited.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

13. TANGIBLE FIXED ASSET PROPERTIES

Association	Social housing properties held for letting £'000	Lettings leasehold £'000	Social housing properties under construction £'000	Shared ownership properties held for letting £'000	Shared ownership properties under construction £'000	Total £'000
Cost						
At 1 April 2008 as restated	177,940	671	16,583	4,198	6,217	205,609
Additions	-	-	40,144	-	2,378	42,522
Works to existing properties	803	-	-	-	-	803
Interest capitalised	-	-	1,168	-	216	1,384
Transfers	(202)	566	(160)	202	(406)	-
Schemes completed	28,473	-	(28,473)	7,299	(7,299)	-
Disposals	(95)	-	-	-	-	(95)
At 31 March 2009	206,919	1,237	29,262	11,699	1,106	250,223
Depreciation						
At 1 April 2008 as restated	1,380	287	-	24	-	1,691
Charged in year	1,378	14	-	94	-	1,486
Disposals	(4)	-	-	-	-	(4)
At 31 March 2009	2,754	301	-	118	-	3,173
Social Housing and other grants						
At 1 April 2008	10,360	-	1,608	-	567	12,535
Additions	-	-	10,752	-	287	11,039
Transfers	-	-	52	-	(52)	-
Schemes completed	7,796	28	(7,796)	576	(604)	-
At 31 March 2009	18,156	28	4,616	576	198	23,574
Net book value						
At 31 March 2009	186,009	908	24,646	11,005	908	223,476
At 31 March 2008 as restated	166,200	384	14,975	4,174	5,650	191,383

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009
13. TANGIBLE FIXED ASSETS - PROPERTIES *continued*

Housing properties help for letting and the three care homes owned by the Association are stated at Existing Use Value – Social Housing (EUV-SH) with special assumptions based on a valuation last undertaken at 31 March 2007. The Group's properties were valued by professional external valuers, Savills Chartered Surveyors. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Standards, using discounted cash flow methodology and the following key assumptions:-

Discount rate	7.0%
Annual inflation rate	2.5%
Level of annual rent increase	3.0%

The carrying value of the housing properties that would have been included in the financial statements had the assets been carried at historical cost less SHG and depreciation is as follows:

	2009	2008
	£ '000	Restated £ '000
Historical cost	162,638	126,778
Social housing grant	(37,999)	(29,600)
Other capital grants	-	-
Depreciation and impairment	(6,022)	(5,147)
	<u>118,617</u>	<u>92,031</u>

Social housing grant

	2009	2008
	£ '000	£ '000
Total accumulated SHG receivable at 31 March was:		
Capital grants	41,692	31,786
	<u>41,692</u>	<u>31,786</u>

Expenditure on works to existing properties:

	2009	2008
	£'000	£'000
Amount capitalised	803	639
Amounts charged to income and expenditure account	415	791
	<u>1,218</u>	<u>1,430</u>

Housing properties book value, net of depreciation and grant paid comprises:

	2009	2008
	£'000	£'000
Freehold land and buildings	223,106	190,999
Long leasehold land and buildings	370	384
	<u>223,476</u>	<u>191,383</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

14. TANGIBLE FIXED ASSETS – OTHER

	Freehold offices	Office equipment and fittings	Computers	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	2,906	659	2,338	830	6,733
Additions	-	142	241	95	478
Disposals	-	-	-	(75)	(75)
At 31 March 2009	<u>2,906</u>	<u>801</u>	<u>2,579</u>	<u>850</u>	<u>7,136</u>
Depreciation					
At 1 April 2008	357	540	1,720	599	3,216
Charged in year	35	51	178	102	366
Disposals	-	-	-	(71)	(71)
At 31 March 2009	<u>392</u>	<u>591</u>	<u>1,898</u>	<u>630</u>	<u>3,511</u>
Net book value					
At 31 March 2009	<u>2,514</u>	<u>210</u>	<u>681</u>	<u>220</u>	<u>3,625</u>
At 31 March 2008	<u>2,549</u>	<u>119</u>	<u>618</u>	<u>231</u>	<u>3,517</u>

15. FIXED ASSET INVESTMENTS

	2009 £'000	2008 £'000
Shares in Group undertakings at 31 March 2009 and 2008	<u>3,315</u>	<u>3,315</u>

The Association owns issued share capital of the following companies incorporated and registered in England:

Company	Principal Activity	Type of Share	Number of Shares	% Held
Oakus Estates Ltd	Market renting &	Ordinary £1	2	12.5
Oakus Estates Ltd	Development for sale	Preference £1	3,314,832	94.3

No consolidated accounts have been prepared on the basis that the Association is a wholly owned subsidiary of GreenSquare Group Limited for which consolidated accounts have been prepared.

16. STOCK

	2009 £'000	2008 Restated £'000
Raw materials and consumables	168	103
Shared ownership properties:		
Properties under construction	981	1,338
Completed properties	<u>1,046</u>	<u>2,712</u>
	<u>2,195</u>	<u>4,153</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

17. DEBTORS

	2009	2008
	£'000	£'000
Due within one year		
Rent and service charges receivable	1,546	1,020
Less: provision for bad and doubtful debts	(566)	(465)
	<u>980</u>	<u>555</u>
Amounts owed from Group undertakings	1,031	1,332
Capital grants receivable	-	996
Other debtors	509	658
Prepayment and accrued income	127	276
	<u>2,647</u>	<u>3,817</u>

18. CURRENT ASSET INVESTMENTS

	2009	2008
	£'000	£'000
Short term deposits	<u>6,305</u>	<u>1,034</u>

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Trade creditors	2,025	2,127
Amount due to Group undertakings	1,316	-
Rent and service charges received in advance	575	329
Recycled Capital Grant Fund	35	34
Corporation tax	112	-
Other taxation and social security	117	244
Other creditors	240	777
Accruals and deferred income	2,862	1,242
	<u>7,282</u>	<u>4,753</u>

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

	2009	2008
	£'000	£'000
Due after more than one year		
Bank loans (repayable after 5 years)	147,000	115,500
Loan fee amortisation	(233)	(266)
	<u>146,767</u>	<u>115,234</u>

The bank loans are secured by floating charges over the assets of the group, and by fixed charges on individual properties.

The bank loans are repayable by instalments, with the final instalments due to be paid in the period to 2042. At the year end, 65% of debt was fixed with interest rates ranging from 3.54% to 5.97%, and 35% of debt was floating with average interest rates at 3.14%.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

21. RECYCLED CAPITAL GRANT FUND

	2009 £'000	2008 £'000
At 1 April 2008	34	104
Grants recycled	-	15
Interest accrued	1	6
Combined with allocations of SHG	-	(91)
	<u>35</u>	<u>34</u>
Balance at 31 March 2009	<u>35</u>	<u>34</u>

22. NON-EQUITY SHARE CAPITAL

	2009 £	2008 £
Shares of £1 each issued and fully paid		
At 1 April	71	69
Shares issued during the year	2	2
At 31 March	<u>73</u>	<u>71</u>

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.

23. RESERVES

	Revaluation Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 April 2008 as previously stated	78,728	5,158	83,886
Prior year adjustments (see Note 29)	-	898	898
At 1 April 2008 as restated	<u>78,728</u>	<u>6,056</u>	<u>84,784</u>
Surplus for the financial period	-	222	222
Actuarial deficit relating to pension scheme	-	(2,040)	(2,040)
Transfers and disposals	(659)	659	-
At 31 March 2009	<u>78,069</u>	<u>4,897</u>	<u>82,966</u>

24. FINANCIAL COMMITMENTS

	2009 £'000	2008 £'000
Capital expenditure commitments are as follows:		
Expenditure contracted for but not provided in the accounts	13,462	20,008
Expenditure authorised by the Board, but not contracted	28,621	38,453
	<u>42,083</u>	<u>58,460</u>

It is anticipated that the above commitments will be financed through borrowings which are available under existing loan arrangements, and through social housing grant.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

24. FINANCIAL COMMITMENTS (continued)

Operating leases

The payments which the Group and Association are committed to make in the next year under operating leases are as follows:

	2009	2008
	£'000	£'000
Vehicle leases expiring:		
Within one year	-	-
One to five years	6	3
	<u>6</u>	<u>3</u>

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

	2009	2008
	£'000	£'000
		Restated
Operating surplus	5,813	4,931
Depreciation of tangible fixed assets	1,852	1,787
Deficit on sale of other tangible fixed assets	-	(2)
Pensions operating charge	335	293
Pensions contributions paid	(389)	(420)
	<u>7,611</u>	<u>6,589</u>
Working capital movements		
Stock decrease/(increase)	1,958	(4,041)
Debtors decrease/(increase)	1,170	(9)
Creditors (decrease)/increase	(110)	179
Net cash inflow from operating activities	<u>10,629</u>	<u>2,718</u>

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009	2008
	£'000	£'000
Increase/(decrease) in cash	47	(270)
Cash outflow/(inflow) from decrease in liquid resources	5,271	451
Cash inflow from increase in debt	(31,500)	(32,500)
Non cash movements	(33)	(33)
Change in net debt from cash flows	<u>(26,215)</u>	<u>(32,352)</u>
Net debt at 1 April	<u>(114,191)</u>	<u>(81,839)</u>
Net debt at 31 March	<u>(140,406)</u>	<u>(114,191)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

27. ANALYSIS OF NET DEBT

	1 April 2008	Cash flow	Non cash movement	31 March 2009
	£'000	£'000	£'000	£'000
Cash at bank and in hand	9	47	-	56
Current asset investment	1,034	5,271	-	6,305
	<u>1,043</u>	<u>5,318</u>	<u>-</u>	<u>6,361</u>
Loans	(115,234)	(31,500)	(33)	(146,767)
Changes in debt	<u>(115,234)</u>	<u>(31,500)</u>	<u>(33)</u>	<u>(146,767)</u>
Changes in net debt	<u>(114,191)</u>	<u>(26,182)</u>	<u>(33)</u>	<u>(140,406)</u>

28. RELATED PARTIES

There were five tenant members of the Board: D Wheeler (to 16 September 2008), R Harvey (from 16 September 2008), T Pearce, A Clapp and I Williams. Their tenancies are on normal commercial terms and the tenant board members are not able to use their position to their advantage.

29. PRIOR YEAR ADJUSTMENT

The prior year adjustments reflect the change in accounting for shared ownership first tranche sales in accordance with SORP 2008.

The previous SORP recommended that first tranche sale proceeds should be credited against shared ownership housing properties classified as fixed assets.

The SORP 2008 treatment requires an appropriate proportion of development costs representing first tranche development to be accounted for as current assets and the related sales proceeds shown in turnover. The remaining proportion of property development costs are accounted for as fixed assets with any subsequent sale treated as a disposal of the fixed asset.

The effect of the change in accounting policy is an increase in the Association's turnover for the year ending 31 March 2008 of £1,307,000 and increase in the cost of sales of £946,000 with a consequent increase in surplus before and after tax of £361,000. The cumulative effect on reserves is an increase of £898,000.

	Cumulative prior year adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year adjustment to 31 March 2008 £'000
Shared ownership first tranche sales			
Turnover - proceeds of first tranche sales	4,141	1,307	5,448
Operating Costs	(3,604)	(946)	(4,550)
Surplus	<u>537</u>	<u>361</u>	<u>898</u>
Revenue reserves			
Revenue reserves as at 31 March as previously stated	2,397		5,158
Add: surplus on first tranche shared ownership sales	537	361	898
Revenue reserves at 31 March as restated	<u>2,934</u>		<u>6,056</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

29. PRIOR YEAR ADJUSTMENT (continued)

The prior year adjustment to current asset balances for the Association for the year ended 31 March 2008 is an increase of £4,050,000 being the transfer of the shared ownership first tranche proportion from fixed assets to current assets.

The impact of the adjustment on shared ownership properties within housing property balances is shown below:

	Housing Properties held for letting £'000	Non Social Housing Properties held for letting £'000	Housing Properties under construction £'000	Completed Shared Ownership Housing properties £'000	Shared Ownership Properties under construction £'000	Total £'000
Tangible fixed assets						
NBV						
At 31 March 2008 as previously stated	166,200	384	14,975	3,276	9,700	194,535
Add: accumulated first tranche surpluses from prior years	-	-	-	898	-	898
Less: first tranche amounts held as current assets	-	-	-	-	(4,050)	(4,050)
At 31 March 2008 as restated	<u>166,200</u>	<u>384</u>	<u>14,975</u>	<u>4,174</u>	<u>5,650</u>	<u>191,383</u>

30. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is GreenSquare Group Limited which is registered in England and Wales as an Industrial and Provident Society and registered social landlord.

Copies of its Group accounts are available from the registered offices of GreenSquare Group Limited.



Westlea Housing Association Limited

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An Industrial and Provident Society with charitable status 28095R • Housing Corporation Registered No. LH4083
Part of GreenSquare Group Limited

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