FINANCIAL STATEMENTS 2008/09

chp

COMMUNITIES HOMES PEOPLE

CONTENTS

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board

Chairman	Martin H Dean
Vice Chairman	Brian Shedley
Directors	Jon Couret (appointed 12/02/09) Colleen Green Helen Gregory (appointed 12/02/09) Ursula Heelis (appointed 09/10/08) Andrew Heywood (appointed 15/04/08) Andrew Ives (appointed 24/08/08) Robin Jellicoe (appointed 24/08/08) Trevor Miller Eva Oakes Richard Poulter (appointed 14/05/08)
Other Directors who served in the year	Bob Denston (resigned 14/05/08) David Gold (resigned 31/05/08) Patricia Hughes (resigned 14/05/08) John Keeling (appointed 24/08/08, resigned 30/09/08) Julie Maybrick (resigned 14/05/08) Barry Millard (resigned 01/05/08) Colin Taylor (resigned 09/10/08) Penny Taylor (resigned 09/10/08)

Executive directors

Chief Executive and Secretary	Stuart Stackhouse
Director of Resources	Carl Gosbee (appointed 23/06/08) Graeme Clark (interim, resigned 30/06/08)
Director of Development	David Cotterill
Director of Support and Transformation	Lynne Foster
Director of Housing	Kay Caldwell (appointed 05/01/09)
Director of Commercial Services	Denise Kent (appointed 24/11/08)

Registered office

Myriad House
23 Springfield Lyons Approach
Chelmsford
Essex CM2 5LB

Statutory registrations

Registered Company No: 4105878
Registered by the Tenants Services Authority, No: L4331

Auditors

Nexia Smith & Williamson
25 Moorgate
London EC2R 6AY

Solicitors

Trowers & Hamlin
Sceptre Court
40 Tower Hill
London EC3N 4DX

Devonshires
Salisbury House
London Wall
London EC2M 5QY

Bankers

The Royal Bank of Scotland
2nd Floor, St Peter's Street
St Albans
Hertfordshire AL1 3LY

Funders

Bank of Scotland Housing Finance
PO Box 39900
Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

Barclays Bank plc
1 Churchill Place
London E14 5HP

BOARD REPORT

The Board presents its report and the audited financial statements of Chelmer Housing Partnership Limited (CHP) for the year ended 31 March 2009.

Principal Activities

The Company's principal activities are the development and management of affordable housing.

Business Review

A review of the Company's results for the year is included in the Operating and Financial Review on pages 5 to 11.

Governance

NHF Code of Governance

The Company complies with the principal recommendations of the NHF Code of Governance (revised 2009).

Board Members and Executive Directors

The present Board Members and the Executive Directors are set out on page 1. The Board Members are drawn from a wide background bringing together professional, commercial and local experience.

At its meeting held on 27th June 2008 the Board agreed to the creation of two new executive director posts, the Director of Support and Transformation, and the Director of Commercial Services. This was part of a management structure review completed during the year.

The Executive Directors hold no interest in the share capital of the Company and act as executives under authority delegated by the Board.

Appointment of Advisors

During the year retendering exercises were completed for both the internal and external audit appointments. As a result of this, Nexia Smith & Williamson have been appointed as external auditors, and RSM Bentley Jennison have been appointed as internal auditors. The appointments are for two years, extendable to three years by mutual consent.

Statement of Board's Responsibilities

As a Registered Provider of Social Housing, the Company is legally required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit 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;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 1985, paragraph 16 of Schedule 1 to the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice: Accounting by registered social landlords 2008.

BOARD REPORT (continued)

The Board has general responsibility for safeguarding the assets of the Company and hence for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Company's websites. 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.

Statement on Internal Controls

The Board acknowledges that it has 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 can only provide reasonable, and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by CHP is ongoing and has been in place throughout the period commencing 1st April 2008 up to the date of approval of the financial statements.

The key elements of the internal control framework are:

- Board approved terms of reference and delegated authorities for the Appraisal and Remuneration, Audit, Operations, Development and Resources Committees;
- Clear delegation schedules dictating roles and responsibility for the Chief Executive, Director of Resources, Director of Housing, Director of Commercial Services, Director of Development and Director of Support and Transformation;
- Clearly defined management responsibility for the identification, evaluation and control of significant risks;
- Regular review of the Company's risk map by the Executive Management Team and quarterly reviews by the Audit Committee and annual approval by Board;
- Robust strategic and business planning processes, with detailed financial budgets and long term forecasts;
- Monthly reporting to the Executive Management Team (and quarterly reporting to the Committees and Board) of key performance indicators to assess progress towards achievement of key business objectives, targets and outcomes;
- Formal authorisation and appraisal procedures for all new initiatives and commitments;
- Board approved whistle-blowing and anti-theft and corruption policies;
- Formal recruitment, retention, training and development policies;
- A sophisticated approach to treasury management, which is subject to regular review by the Resources Committee, and an annual internal and external review of the Company's treasury management strategies, policies, and procedures;
- Board approved fraud policies, covering prevention, detection and reporting of fraud, and the recovery of assets;
- Detailed policies and procedures in all areas of the Company's work.

A fraud register is maintained and is reviewed by the Audit Committee on a quarterly basis. During the year there were no frauds reported.

The Board accepts ultimate responsibility for the system of internal control and has delegated authority for the review of the effectiveness of the system of internal control to the Audit Committee.

The Board receives regular reports from the Audit Committee together with minutes of Committee meetings.

BOARD REPORT (continued)

The means by which the Audit Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances and the external audit management letter.

The Audit Committee has received the Executive Management Team's annual review of the effectiveness of the system of internal control for the Company, together with the annual report of the internal auditor and has reported on these to the Board.

Employees

The strength of the Company lies in the quality of its Board Directors and all its employees. In particular, its ability to meet its objectives and commitments to residents in an efficient and effective manner depends upon their contribution.

The Company shares information on its objectives, progress and activities through regular office and team meetings that involve Board Members, the senior management team and staff, and by means of the intranet. In addition, a Joint Consultative Committee of elected staff representatives and management meets regularly to discuss issues relevant to staff.

The Company is an equal opportunities employer and invites applications from all members of the community.

The health and safety of all staff is of great importance to the Company. The Company has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

The Company's support of its employees has been recognised externally through the Investors in People award maintained during the year.

Annual General Meeting

The Annual General Meeting will be held on 8th October 2009 at a venue to be confirmed.

Disclosure of information to auditors

At the date of making this report each of the current Board 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 Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

External auditors

A resolution to reappoint Nexia Smith & Williamson as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board

Martin Dean
Chair

Date: 23rd July 2009

OPERATING AND FINANCIAL REVIEW

Background

Activities

Chelmer Housing Partnership Limited (CHP) is a Registered Provider of Social Housing, and maintains its head office in Chelmsford, Essex. The housing properties CHP owns and manages are in or bordering the county of Essex.

CHP is non-charitable, but works as a not for profit company, whereby it reinvests all the surpluses generated into providing good quality housing and landlord services. CHP operates three key business streams:

- ‘general needs’ housing for rent, primarily by individuals or families who are unable to rent or buy at open market rates;
- supported housing for people who need additional housing-related support; and
- 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.

As well as owning and managing in excess of 7,500 properties, CHP is a developer of new affordable housing which it develops in partnership with Flagship Housing Group and Savills LLP.

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.

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 residents by 2010. Housing providers are also expected to demonstrate Value For Money in all areas of their work; CHP is therefore faced with the challenging objectives of improving efficiency, value and quality of services.

The global recession during the year 2008/09 led to a worldwide reduction in the supply and sources of available bank credit, and this was reflected through the social housing loan market with corresponding increases in the costs of new loan arrangements. The global recession has also led to volatility in the UK interest rates with a very marked reduction in base rates being followed by reductions in the key floating rate measure, of 3 month Libor. CHP estimate the existing loan facilities (£250 million arranged in 2006) are sufficient to fund development for the next two years, and thus are not currently adversely affected by a need to refinance. The 40 year financial plan does reflect increased loan costs for future increases in financing facilities and provides CHP with assurance that, if current high loan arrangement costs continue, our growth objectives remain achievable.

Objectives and Strategy

CHP’s objectives and strategy are set out in a business plan that is reviewed and approved by the Board each year. The two broad aims of the organisation are:

- To grow to own and manage 10,000 units;
- To obtain excellent rated services as agreed with residents within 3 years.

It is intended to work towards these broad aims by working on six key objectives which are summarised as follows:

Making sure CHP’s services are of the highest quality and delivered consistently by:

- Implementing the ‘Customer First Plan’;
- Achieving ‘CHP Plus’ standards for all the homes (a higher standard than that required to achieve decent homes);
- Making sure CHP’s services and charges offer value for money and are accessible to all;
- Empowering and training employees to deliver excellent customer services;
- Promoting feedback from customers;
- Being a financially viable company in the long term.

OPERATING AND FINANCIAL REVIEW (continued)

Creating great neighbourhoods by:

- Investing in community development and regeneration;
- Promoting the concept of 'respect';
- Working to improve social inclusion;
- Taking all possible action to prevent, stop and deal with anti-social behaviour;
- Operating in an environmentally friendly way.

Offering greater choice by:

- Providing residents with the widest choice of tenure options;
- Continuing to provide options for works in residents' homes;
- Negotiating about service levels and relevant charges;
- Offering 'choice based lettings' arrangements for access to housing;
- Facilitating innovative local management opportunities;
- Promoting customer approval of service contractors working with CHP.

Making involvement personal by:

- Dealing with customers as individuals;
- Having customer involvement options that are easy to use, convenient and effective;
- Regularly assessing customer satisfaction and making appropriate change;
- Listening to people, listening to partners.

Demonstrating we are highly accountable by:

- Continued involvement of residents in CHP's governance structure;
- Responding to customers, employees and partners on their suggestions and feedback;
- Including customers in assessing how money is spent;
- Independent external assessment of CHP's performance.

Growing the business by:

- Developing and delivering CHP's strategy for growth;
- Securing funding for growth;
- Reviewing operational capacity to deliver growth;
- Excellent communications and publicity arrangements;
- Understanding and responding to the needs of customers and partners.

Performance and Development

The key indicators used by senior management and the Board to monitor achievement of CHP's objectives are set out below. The Board agrees targets each year that are designed to manage, develop and deliver continuous service improvement.

Performance against these indicators is set out below.

Finance

The Board set a challenging budget for the year. Rental increases were restricted to half a percent above inflation, in line with rent restructuring legislation, and budgeted expenditure increases for the management restructure and property improvement works towards the achievement of decent homes standard were balanced to provide a surplus figure of £0.27 million within the budget.

The Board acknowledges that due to difficult market conditions, an impairment review of properties was required, and having faced the difficult judgemental decisions relating to completed properties and schemes in progress, the Board is satisfied that with the exception of market rented properties all properties and schemes are performing broadly in line with appraisal standards and are affordable within the financial plan. In the judgement of the Board the impairment review of market rented properties required a charge of £1.45million to be made to reflect the reduction in carrying value below their construction costs.

This charge has resulted in a loss before taxation of £0.6million (2008: surplus £1.5million). The impairment charge does not affect the calculation of lenders' covenants, which have all been met. It should also be noted that the value of these properties is expected to recover in the long term.

By the year-end CHP's reserves amounted to £24.3million (2008: £9.3million).

OPERATING AND FINANCIAL REVIEW (continued)

Development
Development targets were exceeded with 333 homes completed and transferred into management during the year including 52 homes for shared ownership sale. Targets have been maintained at 300 homes for 2009-10.
In the year CHP completed a major regeneration project around our Melbourne Park tower block. This included the internal and external refurbishment of 54 flats within Parkside, an extension to the tower containing 28 flats and the creation of a Health centre facility, and the creation of 21 mixed tenure new build homes.

Asset management
At 31st March 2009 CHP had renewed 3,590 Kitchens and 2,832 bathrooms since the stock transfer some 7 years ago.
The proportion of general needs and supported housing properties meeting the Decent Homes Standard decreased slightly from 97.3% to 97.2% during the year, behind the target (99%). This was due to actual stock condition survey data having a slightly higher property failure rate than that extrapolated from the prior year's stock condition data. The extent of work assessed as needed to achieve DHS status is relatively minor and has been included in the 2009/10 programmed works budget.

Rent losses from voids
The target for 2008/09 was to keep rent losses below 1.7% of rental income receivable, and this was achieved with void losses of 0.83%. The target for the coming year is to keep void losses down to below 0.7%.

Rent arrears
Current tenant rent arrears at the year-end had fallen to 1.70% (2008: 2.1%), exceeding the target of 1.95%. The target for the coming year is to manage rent arrears within 1.97% of rental income.

Repair response times
Performance against these indicators has a direct impact on CHP's service to its customers and CHP is pleased to report an improvement in its emergency repairs, whilst recognising increased efforts required to reverse the slight slippage in performance on Urgent and Routine response times shown below.

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 98.5% of jobs completed within 24 hours	Actual: 98.3% (2008: 97.3%)
Urgent: target 98.5% of jobs completed within 7 days	Actual: 98.9% (2008: 99.3%)
Routine: target 98.5% of jobs completed within one month	Actual: 98.2% (2007: 98.8%)

Staff Turnover

The Board recognises that the success of the business depends on the quality of its managers and staff, and undertook a major management restructuring during the year. The board implemented a management structure change which brought in two additional Executive Directors and removed a complete layer of management, to engineer a flatter management structure for CHP. This restructure has enabled CHP to improve communications and management effectiveness vertically through the staff structure and is focussed on bringing customer experience improvements across the organisation.

The target for staff turnover, calculated as number of leavers in the year divided by the permanent staff headcount at the end of the year, is to keep within 15-20%. For 2008/09 our staff turnover of 15.43% (2007/08: 15.4%) was within the target range.

The financial impact of the management restructure in 2008/09 has been treated as an exceptional cost and relates to redundancy and recruitment costs incurred in the year, resulting from the restructure, of £695,000.

OPERATING AND FINANCIAL REVIEW (continued)

Risks and Uncertainties

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

Key Strategic Risk	Status	Impact on Strategic Objectives
Reduction in Financial Resources available to deliver developments and sustainable service improvements	CHP has reviewed the Treasury Management Strategy, reviewed the loan facility agreements, and has a robust 40 year plan which has been stress tested under funding cost changes.	Development growth 10,000 units. Service Excellence E3.
Failure to achieve Decent Homes	CHP has an up to date stock condition report which is based on surveys of circa 70% of the housing stock. This stock condition survey drives the cost assumptions within the approved 40 year plan, which further assumes above inflationary increases for property improvements, cyclical and planned maintenance works. CHP is revising the Asset Management strategy during the 2009/10 year to ensure compliance is reached.	Service Excellence E3. CHP Plus standard for homes.
Organisational Culture / direction impedes progress towards Service Excellence	CHP has started a cultural change program, and has changed the management structure, and the governance structure and is progressing the implementation of the communications strategy, customer relationship training and equality and diversity training in the 2009/10 year. The key objectives of E3:10K, or excellent services in three years and 10,000 units under management have been clearly communicated.	Service Excellence E3. Development growth 10,000 units.
Ineffective Performance Management Framework	CHP has changed the management of the Performance Management Framework, with Directors' Personal Assistants now responsible for collating KPI figures. The Board annually reviews the KPI targets and reviews performance through committees and the board meetings quarterly. EMT reviews performance monthly.	Service Excellence E3. Demonstrating we are highly accountable

OPERATING AND FINANCIAL REVIEW (continued)

Key Strategic Risk	Status	Impact on Strategic Objectives
Changes in Legislation / Government Policy	CHP is a member of the National Housing Federation, the trade body of Registered Providers of Social Housing, and utilises the skills of this body to lobby government on its behalf. Both Executive and Non-executive directors attend sector specific seminars and trade events and participate with consultation events on proposed legislative and policy changes.	Service Excellence E3. Development growth 10,000 units.
Failure to be ready for Audit Commission Short Notice Inspection	CHP is committed to achieving an excellence rating over the next three years and is striving to improve all aspects of service delivery, value for money and resident involvement and choice. Campbell Tickell, sector leading consultants have been engaged to support and challenge CHP with its service improvement plans, and to run a mock inspection in the first half of 2009/10.	Service Excellence E3. Development growth 10,000 units. Demonstrating we are highly accountable
Adverse reaction to service charge increases	CHP has adopted a clear and concise communication format for affected residents and those most affected have received personal visits from CHP executive directors.	Service Excellence E3. Demonstrating we are highly accountable

During the year CHP undertook value for money tenders for both the internal and external audit service provision. This resulted in a change to Nexia Smith & Williamson for the external audit and RSM Bentley Jennison for the internal audit.

Financial Position

CHP's income and expenditure account and balance sheet are summarised in Table 1 (page 11) and the following paragraphs highlight key features of CHP's financial position at 31 March 2009.

Accounting policies

CHP's principal accounting policies are set out on pages 17 to 20 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; recording certain properties at valuation; deduction of capital grant from the cost of assets; housing property depreciation & impairment; tenure changes and treatment of shared ownership properties.

Housing properties

At 31 March 2009 CHP owned 6,947 housing properties (2008: 6,743).

In response to falling demand for shared ownership properties some properties have been reclassified as market and intermediate rented. This action allows CHP to maintain income from these properties and retains the opportunity to revert to shared ownership should market conditions improve.

The Board appointed external professional valuers to undertake the annual valuation of CHP's housing properties as at 31 March 2009. The value of the properties was £168million and this has been reflected in the valuation of properties in the financial statements. The valuation bases used are existing use for social housing (EUV-SH) for our socially rented properties, and market value subject to tenancies (MV-STT) for shared ownership and market and intermediate rented properties. On re-valuation, the surplus of £15.4million over the carrying value has been taken to the property revaluation reserve.

The investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital. CHP treasury management arrangements are considered below.

OPERATING AND FINANCIAL REVIEW (continued)

Pension costs
CHP participates in two pension schemes, the Essex County Council Pension Scheme (ECCPS) and a stakeholder (defined contribution) pension scheme operated by Scottish Equitable. ECCPS is a final salary scheme, offering good benefits for our staff. CHP has contributed to the scheme in accordance with levels set by the actuaries.
The most recent actuarial valuation of the ECCPS took place as at 31 March 2009 and has been reflected in the adjustment to the pension liability.

Capital structure and treasury policy
CHP borrowed a further £35 million during the year, to develop general family housing and to fund its refurbishment and general activities. By the year end CHP borrowings amounted to £168 million, none of which falls due within the next year.

Maturity	**2009**	**2008**
	£m	**£m**
After five years	168	133
	168	133

CHP borrows from its funders at both fixed and floating rates of interest. Interest rate swaps are used, under International Standard Derivative Agreements (ISDA), to generate the desired interest profile and to manage CHP's exposure to interest rate fluctuations. CHP updated its Treasury Management policy in the year and now keeps between 70 and 100 per cent of its borrowings hedged (previously 60-90%). At the year-end, 90% of CHP's borrowings were hedged through interest and inflation rate swaps (2008: 68%).

The variable rates of interest charged during the year varied from 6.0% to 1.84%, and fixed rates of interest ranged from 2% to 5.65%; The weighted average interest rate at 31st March was 5.10%, this means that CHP is paying interest at rates above current market levels.

The rapid reduction in interest rates since November 2008 has exposed CHP to margin calls on the majority of its interest rate swap arrangements and the exposures at 31/3/09 are summarised below.

ISDA Counterparty	**Total ISDA exposure £'000s**	**Security limit £'000s**	**Additional security required £'000s**
Barclays	11,910	5,000	6,910
Halifax – Bank of Scotland	8,529	5,000	3,529
LloydsTSB	637	5,000	-

CHP utilised unallocated charged properties to securitise the exposure and allocated £12.5million to Barclays and £5million to HBoS during December to January when the exposures were higher, and volatility required the provision of additional security. This 'spare' allocation can be recovered if CHP require the security for additional borrowings.

CHP borrows and invests only in sterling and so is not exposed to currency risk.

Cash flows
Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 16).
The cash inflow from operating activities reduced this year to £6.5 million (2008: inflow of £7.7 million), mostly the result of working capital movements.

Future developments
A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend more than £39 million during the next financial year to develop new properties. £25.5 million of the investment will be through new borrowings with the balance funded through social housing grant (£11.5 million) and cash generated within the business (£2 million). Undrawn sums of £82 million are available within the existing loan facilities.

OPERATING AND FINANCIAL REVIEW (continued)

A new development partnering arrangement with Savills LLP was signed on 23rd May 2008 which will assist the Company in achieving its growth target of having 10,000 properties owned and managed, and supplements the development partnership with the Flagship Group.

Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the SORP 2008.

Table 1 –Highlights, Three Year Summary

For the year ended 31 March		**2009**	**2008**	**2007 Restated***
Income and Expenditure account (£'000)				
Total turnover		29,798	28,880	30,113
Income from lettings		27,288	26,260	24,497
Operating surplus		6,243	7,591	2,754
(Deficit)/surplus for the year transferred to reserves		(599)	1,513	(2,583)
Balance Sheet (£'000)				
Tangible fixed assets		194,998	149,018	126,940
Net current assets/(liabilities)		2,336	(1,351)	(3,086)
Loans (due over one year)		168,013	133,013	116,200
Pensions liability		5,200	5,128	2,770
Reserves		24,279	9,312	4,884
Accommodation figures				
Total housing stock owned at year end *(number of dwellings)*		6,947	6,743	6,742
Loan Covenants	**Targets**			
Interest Cover	>0.90	1.32	1.41	- *
Debt Per Unit	<£35,000 (indexed)	£24,277	£19,785	- *
Asset Cover	>1.1	1.44	1.57	- *

**At March 2007 the current loan covenants were not in force*

Nexia Smith & Williamson

We have audited the financial statements of Chelmer Housing Partnership Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Surpluses and Deficits, and the related notes 1 to 29. These financial statements 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 the requirements of statute. 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

As described in the Statement of the Board's Responsibilities, the association's board are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards and the relevant Statement of Recommended Practice.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We report to you whether in our opinion the information given in the Board Report is consistent with the financial statements. We also report to you if, in our opinion the association has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

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

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 of the state of the Association's affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with Companies Act 1985 and Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords Determination 2006; and
- the information given in the Board Report is consistent with the financial statements.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

3 September 2009

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

	Note	2009 £ '000	2008 £ '000
Turnover:	3	29,798	28,880
Cost of sales	3	(1,008)	(814)
Operating costs	3	(22,547)	(20,475)
Operating surplus:		6,243	7,591
Surplus on sale of housing properties	6	322	188
Interest receivable and other income	7	60	57
Interest payable and similar charges	8	(6,998)	(6,353)
Other finance (costs)/income	24	(226)	30
(Deficit)/ surplus on ordinary activities before taxation		(599)	1,513
Tax on (deficit)/surplus on ordinary activities	11	-	-
(Deficit)/surplus for the financial year	20	(599)	1,513

The above results relate wholly to continuing activities.

The notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2009

	2009 £ '000	2008 £ '000
(Deficit)/surplus for the financial year	(599)	1,513
Unrealised surplus on revaluation of properties	15,412	6,254
Actuarial gain/(loss) relating to pension scheme	154	(2,296)
Total recognised surpluses and deficits relating to the year	14,967	5,471

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 March 2009

	2009 £ '000	2008 £ '000
Reported (deficit)/surplus on ordinary activities before taxation	(599)	1,513
Realisation of property revaluation gains	43	73
Excess of actual depreciation charge over historical cost depreciation	535	314
Historical cost (deficit)/surplus on ordinary activities before taxation	(21)	1,900
Historical cost retained (deficit)/surplus	(21)	1,900

BALANCE SHEET

At 31 March 2009

	Note	2009 £ '000	2008 £ '000
Tangible fixed assets			
Housing properties	12	181,594	137,591
Other tangible fixed assets	13	13,404	11,427
		194,998	149,018
Current assets			
Properties for sale	14	2,344	3,380
Stocks		97	152
Debtors	15	3,731	1,073
Cash at bank and in hand		2,082	868
		8,254	5,473
Creditors: Amounts falling due within one year	16	(5,918)	(6,824)
Net current assets/(liabilities)		2,336	(1,351)
Total assets less current liabilities		197,334	147,667
Creditors:			
Amounts falling due after more than one year	17	167,855	133,227
Net pension liability	24	5,200	5,128
		173,055	138,355
Capital and reserves			
Revaluation reserves	20	52,555	37,721
Revenue reserve	20	(28,276)	(28,409)
Company's funds	20	24,279	9,312
		197,334	147,667

The notes on pages 17 to 37 form part of these financial statements.

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

Martin Dean

Chairman

CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 £ '000	2008 £ '000
Net cash inflow from operating activities	25	6,462	7,680
Returns on investments and servicing of finance			
Interest received		60	57
Interest paid		(6,998)	(6,353)
		(6,938)	(6,296)
Capital expenditure			
Purchase and construction of housing properties		(42,620)	(12,852)
Social housing grant received		11,424	622
Purchase of other fixed assets		(2,635)	(5,494)
Sales of housing properties		1,194	1,752
Payment of costs arising from disposal of housing properties		(673)	(1,308)
		(33,310)	(17,280)
Net cash outflow before financing		(33,786)	(15,896)
Financing			
Loans received		35,000	16,418
Increase in cash	26	1,214	522

The notes on pages 17 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 Company are prepared 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.

The financial statements are prepared using the historical cost basis of accounting as modified by the revaluation of housing and commercial properties.

The Company has a wholly owned subsidiary, CHP Charitable Trust, which is registered with the Financial Services Authority under the Industrial & Provident Societies Act 1965 and the Friendly Societies Act 1974. The results of the subsidiary have not been consolidated since they are not material for the purpose of giving a true and fair view. Chelmer Housing Partnership Limited is the ultimate parent undertaking.

Turnover

Turnover comprises rental and service charge income receivable in the year, income from shared ownership first tranche sales, 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.

Properties for sale

The proportion of shared ownership developments anticipated to be first tranche disposals, completed properties for outright sale, and properties under construction intended for sale are recorded within current assets at the lower of cost and net realisable value. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Supporting people

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

Sale of properties

Sales of housing properties are recognised at the date of completion of each property sold.

The surplus or deficit on disposal of Right to Buy (RTB) is recognised in the income and expenditure account, after taking into account liabilities under the RTB sharing agreement with Chelmsford Borough Council, the carrying value of the property and any associated sales costs.

Sales of housing under the Right to Acquire (RTA) are credited to the Disposal Proceeds Fund in accordance with the General Determination 2006. This will be utilised to fund future housing programmes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

Housing properties

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

Completed housing properties for social rent are stated at Existing Use Value for Social Housing (EUV-SH). Housing properties for intermediate rent and market rent and shared ownership properties are stated at Market Value Subject To Tenancies (MV-STT). Full revaluations of the properties are undertaken every year.

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, and interest charges incurred during the development period.

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 a fixed asset and included in housing properties at valuation once completed, less any provisions needed for depreciation or impairment.

Works to existing properties are capitalised where they are deemed to result in an enhancement of the economic benefits of the property. Such enhancement can occur if the works result in an increase in future rental income, a reduction in future maintenance costs, or a significant extension of the useful economic life of the property in the business. An enhancement is recognised only to the extent that it provides an enhancement to economic benefits in excess of the standard previously anticipated. Only the direct overhead costs associated with new developments or improvements are capitalised.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is charged so as to write down the net book value of housing properties to the estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. Depreciation is provided against the revalued asset value.

The Company's housing properties are depreciated at the following annual rates:

High rise block of flats	50 years
Other housing properties	100 years

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, a review is conducted to ascertain whether its effect is to reduce the value of the property beyond that which meets the internal criteria for the approval of schemes. Deficits that fall within these criteria are regarded as planned internal subsidies, and are not treated as impairments. If an impairment above the acceptable level exists, a charge is made to the income and expenditure account to the extent that the impairment exceeds the acceptable deficit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

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.

The principal useful economic lives used for other assets are:

Commercial properties for rent	40 years
Freehold office buildings	50 years
Plant & machinery	4 years
Fixtures, fittings & equipment	4 – 12 years

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

Stocks

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

Leased assets

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

Provision for bad debts

The general provision for current residents' arrears is 10%. Former residents' arrears are provided for in full. Miscellaneous debts are provided for to the extent that they are considered irrecoverable.

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 incremental 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 Company is partially exempt for Value Added Tax (VAT). The financial statements include VAT to the extent that it is suffered by CHP 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 on loans specifically financing development is capitalised for the period from start of works up to the date of practical completion or acquisition of legal title, whichever is later. Other interest payable is charged to the income and expenditure account in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

Derivatives

The Company undertakes interest rates swaps to reduce its exposure to future increases in the interest rates on floating rate loans utilising ISDA agreements. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can be withdrawn at any time without penalty.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of net proceeds. Financial costs relating to new loans are deducted from the loan and amortised over the term of the loan based on the loan drawdown amounts. Financial costs relating to the renegotiation of existing facilities are charged to the Income and Expenditure Account as they are incurred.

Pensions

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

Revaluation reserve

The difference between the revalued amount of properties and the historical cost carrying value is credited to the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2009			
	Turnover	Cost of Sales	Operating Costs	Operating surplus/ (deficit)
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	27,288	-	(19,132)	8,156
Other social housing activities				
Supporting people	464	-	(1,372)	(908)
Development services	-	-	(455)	(455)
Management services	24	-	(25)	(1)
First tranche shared ownership sales	1,158	(1,008)	-	150
Other	21	-	-	21
	1,667	(1,008)	(1,852)	(1,193)
Non-social housing activities				
Lettings	545	-	(1,489)	(944)
Other	298	-	(74)	224
	843	-	(1,563)	(720)
	29,798	(1,008)	(22,547)	6,243

	2008			
	Turnover	Cost of Sales	Operating Costs	Operating surplus/ (deficit)
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	26,260	-	(18,260)	8,000
Other social housing activities				
Supporting people	642	-	(1,538)	(896)
Development services	-	-	(411)	(411)
Development costs not capitalised	-	-	(71)	(71)
Management services	66	-	(164)	(98)
First tranche shared ownership sales	1,160	(814)	-	346
Other	79	-	-	79
	1,947	(814)	(2,184)	(1,051)
Non-social housing activities				
Lettings	494	-	-	494
Other	179	-	(31)	148
	673	-	(31)	642
	28,880	(814)	(20,475)	7,591

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

	2009				2008
	General needs housing	Supported housing and housing for older people	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	17,524	7,846	785	26,155	24,748
Service income	759	340	34	1,133	1,512
Turnover from social housing lettings	18,283	8,186	819	27,288	26,260
Management	5,120	2,292	229	7,641	5,840
Services	1,095	490	49	1,634	1,736
Routine maintenance	2,751	1,110	2	3,863	3,436
Planned maintenance	3,032	1,196	-	4,228	4,394
Major repairs expenditure	510	302	-	812	1,719
Bad debts	61	27	3	91	106
Depreciation of housing properties	578	259	26	863	1,029
Operating costs on social housing lettings	13,147	5,676	309	19,132	18,260
Operating surplus on social housing lettings	5,136	2,510	510	8,156	8,000
Losses from voids	(140)	(63)	(6)	(209)	(477)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of turnover from non-social housing lettings

	2009 £ '000	2008 £ '000
Shop rental	488	467
Properties rented at market rate	57	27
Support services provided to non-tenants	141	158
Other	157	21
	843	673

4. Accommodation in management and development

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

	2009 No.	2008 No.
Social housing		
General housing	4,563	4,390
Supported housing and housing for older people	2,214	2,214
Shared ownership	147	114
Other	14	14
Managed by others	9	11
Total owned	6,947	6,743
Leasehold properties	684	682
Accommodation managed for others	-	441
Total managed	7,631	7,866
Non-social housing		
Shops	71	65
Market rented properties	47	1
Total owned and managed	7,749	7,932
Accommodation in development at the year end	245	199

The Company no longer manages accommodation on behalf of others. During the year the accommodation previously managed on behalf of Flagship Housing Group was handed back.

The Company owns and manages 26 sheltered housing schemes (2008: 26).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Operating Surplus

This is arrived at after charging:

	2009 £ '000	2008 £ '000
Depreciation of housing properties	863	1,029
Impairment of housing properties	1,446	-
Depreciation of other tangible fixed assets	673	190
Deficit on disposal of other tangible fixed assets	13	-
Exceptional costs in respect of management restructure	695	10
Operating lease rentals		
- other fixed assets	411	653
Auditors' remuneration (including VAT)		
- for audit services:	23	22

6. Surplus on sale of fixed assets – housing properties

	2009 £ '000	2008 £ '000
Disposal proceeds	1,194	1,752
Carrying value of fixed assets	(199)	(256)
Other operating costs and costs of disposal (including council claw-back)	(673)	(1,308)
	322	188

7. Interest receivable and other income

	2009 £ '000	2008 £ '000
Interest receivable and similar income	60	57

8. Interest payable and similar charges

	2009 £ '000	2008 £ '000
On loans wholly or partly repayable in more than 5 years	7,702	6,638
On Disposal Proceeds Fund (Note 18)	37	34
	7,739	6,672
Interest payable capitalised on housing properties under construction	(741)	(319)
	6,998	6,353
Interest rate used to determine the finance costs capitalised during the period	5.18%	5.71%

9. Employees

Average monthly number of employees expressed in full time equivalents:

	2009 No.	2008 No.
Administration	46	44
Operational	132	129
Housing, support and care	21	21
	199	194

Employee costs:

	2009 £ '000	2008 £ '000
Wages and salaries	4,993	4,791
Social security costs	422	377
Other pension costs	758	708
Pension costs relating to redundancy	405	-
	6,578	5,876

The Company's employees are members of either the Essex County Council Pension Fund (ECCPF) or a defined contribution stakeholder's scheme. At March 2009 the Company made contributions on behalf of 155 (2008: 159) employees to the ECCPF, and 8 (2008: 6) employees to the stakeholder's scheme. Further information on pensions is given in note 24.

10. Directors' emoluments

	2009 £ '000	2008 £ '000
Emoluments (including benefits in kind)	450	282
Pension contributions	65	46
Amounts paid to third party for services as a director	28	92
	543	420

Directors are defined as Board Members and the Executive Management Team. At its meeting held on 27th June 2008 the Board agreed the creation of two new executive director posts, the Director of Support and Transformation and Director of Commercial Services. This was part of a management structure review completed during the year. Board Members received payments totalling £30,000 in aggregate in their capacity as members of the Company Board (2008: £Nil).

Emoluments include amounts in relation to the highest paid director of £118,000 for the Company in 2009 (2008: £114,000).

During the year, the Company paid pension contributions totalling £19,000 (2008: £19,000) to the Essex County Council Pension Fund in respect of the Chief Executive. The Chief Executive is an ordinary member of the Essex County Council Pension Fund and no enhanced or special terms apply.

The Company does not make any further contribution to an individual pension arrangement for the Chief Executive.

11. Tax on surplus on ordinary activities

	2009 £ '000	2008 £ '000
Current tax		
UK corporation tax on surplus for the year	-	-
Deferred tax		
Net origination and reversal of timing differences	-	-
	-	-

	2009 £ '000	2008 £ '000
Current tax reconciliation		
(Deficit)/surplus on ordinary activities before tax	(599)	1,513
Theoretical tax at UK corporation tax rate 28% (2008: 30%)	168	(454)
- capital allowances in excess of depreciation	11	42
- utilisation of tax losses	460	867
- other permanent timing differences	(801)	(490)
- other deferred tax movements	40	(19)
- chargeable gains	47	(60)
- accounting profit on disposal of housing properties	122	54
- adjustments to tax charge in respect of prior periods	-	-
- heldover capital gains	(47)	60
Current tax charge	-	-

Factors that may affect future tax charges

The group has no intention of selling any of its properties, except those purchased by tenants under the Right to Buy scheme, or under shared-ownership arrangements. If a property is disposed of under the Right to Buy scheme, any gain will be eligible for rollover relief and should not result in any immediate corporation tax liability. During the year, five properties were sold and the resultant corporation tax liability has been deferred by reinvesting the proceeds into replacement assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets – housing properties

	Social housing properties held for letting			Shared ownership properties		Market rented properties	Total
	Social rent	Intermediate rent	Under construction	Under construction	Completed		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2008	122,910	-	8,687	2,886	3,470	-	137,953
Additions	-	-	31,757	10,342	-	-	42,099
Works to existing properties	521	-	-	-	-	-	521
Schemes completed	22,506	-	(22,506)	(11,853)	11,853	-	-
Disposals	(146)	-	-	-	(68)	-	(214)
Change of tenure	-	1,973	-	-	(8,587)	6,614	-
Valuation adjustment	9,590	(493)	-	-	(507)	(1,446)	7,144
At 31 March 2009	155,381	1,480	17,938	1,375	6,161	5,168	187,503
Depreciation and impairment							
At 1 April 2008	-	-	-	-	-	-	-
Depreciation charged in year	789	20	-	-	37	17	863
Impairment charged in year	-	-	-	-	-	1,446	1,446
Valuation adjustment	(789)	(20)	-	-	(37)	(1,463)	(2,309)
At 31 March 2009	-	-	-	-	-	-	-
Social housing and other grants							
At 1 April 2008	-	-	362	-	-	-	362
Additions	-	-	10,973	451	-	-	11,424
Schemes completed	5,729	-	(5,729)	(148)	148	-	-
Valuation adjustment	(5,729)	-	-	-	(148)	-	(5,877)
At 31 March 2009	-	-	5,606	303	-	-	5,909
Net book value							
At 31 March 2009	155,381	1,480	12,332	1,072	6,161	5,168	181,594
At 31 March 2008	122,910	-	8,325	2,886	3,470	-	137,591

12. Tangible fixed assets – housing properties (continued)

Completed properties for social rent are stated at Existing Use Value for Social Housing (EUV-SH) and properties for intermediate rent, shared ownership and market rent are stated at Market Value Subject To Tenancies (MV-STT), as at 31 March 2009. The Company's housing properties have been valued by professional external valuers, Savills (L&P) Limited, Chartered Surveyors.

The full valuation of the housing properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors as follows:

	£ '000
Completed housing properties at valuation	168,190

In valuing housing properties, discounted cash flow methodology was adopted and key assumptions included:

Discount rate	5.75%
Annual inflation rate	5% 2009/10, -1% 2010/11, 2% 2011/12, then 2.5%
Level of annual rent increase	RPI + 0.5%

The carrying value of the completed 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 £ '000	**2008 £ '000**
Historical cost	149,151	109,321
Social housing grant	(15,081)	(3,657)
Depreciation and impairment	(6,933)	(4,773)
	127,137	100,890

Social housing grant	**2009 £ '000**	**2008 £ '000**
Total accumulated SHG receivable at 31 March:		
Capital grants	15,081	3,657

Housing properties book value, net of depreciation comprises:

	2009 £ '000	**2008 £ '000**
Freehold land and buildings	122,184	97,869
Long leasehold land and buildings	4,953	3,021
	127,137	100,890

Improvement works to existing properties

	2009 £ '000	**2008 £ '000**
Amounts capitalised	521	1,890
Amounts charged to income and expenditure account	812	1,719
	1,333	3,609

12. Tangible fixed assets – housing properties (continued)

Impairment
An impairment charge of £1,446,000 was made in March 2009 to reduce the carrying value of market rented properties in Chelmsford and Colchester to their value in use, being the estimated recoverable amount.

13. Tangible fixed assets – other

	Commercial properties for rent	Freehold offices	Plant and machinery	Fixtures, fittings, and equipment	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation					
At 1 April 2008	5,998	5,132	100	1,579	12,809
Additions	1,256	314	6	1,059	2,635
Disposals	-	-	(26)	(893)	(919)
Valuation adjustment as at 31 March 2009	(323)	-	-	-	(323)
	6,931	5,446	80	1,745	14,202
Depreciation					
At 1 April 2008	-	-	76	1,306	1,382
Charge for the year	351	96	8	218	673
Released on disposal	-	-	(26)	(880)	(906)
Valuation adjustment as at 31 March 2009	(351)	-	-	-	(351)
	-	96	58	644	798
Net book value					
At 31 March 2009	6,931	5,350	22	1,101	13,404
At 31 March 2008	5,998	5,132	24	273	11,427

Completed commercial properties for rent are stated at valuation as at 31 March 2009. The valuation was performed by Savills (L&P) Limited, Chartered Surveyors, on a discounted cashflow basis. The method is similar to EUV-SH and is based around lease income, void periods and future management and maintenance costs.

The full valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors as follows:

	£ '000
Commercial properties at valuation	5,675

In valuing commercial properties, discounted cash flow methodology was adopted and key assumptions included:

Discount rate	5.75%
Annual inflation rate	5% 2009/10, -1% 2010/11, 2% 2011/12, then 2.5%
Level of annual rent increase	RPI + 0.5%

The valuation did not include the items stated above as additions, which were incomplete at 31 March 2009. These assets are stated at cost.

13. Tangible fixed assets – other (continued)

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

	2009 £ '000	2008 £ '000
Historical cost	6,483	5,227
Depreciation	(915)	(314)
	5,568	4,913

Commercial properties for rent book value and freehold offices book value, net of depreciation comprises:

	2009 £ '000	2008 £ '000
Freehold land and buildings	12,281	11,130

14. Properties for sale

	2009 £ '000	2008 £ '000
Shared ownership properties under construction	730	2,906
Completed shared ownership properties	1,614	474
	2,344	3,380

15. Debtors

	2009 £ '000	2008 £ '000
Due within one year		
Rent and service charges receivable	884	833
Less: Provision for bad and doubtful debts	(383)	(342)
	501	491
Social housing grant receivable	2,523	-
Other debtors	52	198
Prepayments and accrued income	655	384
	3,731	1,073

16. Creditors: amounts falling due within one year

	2009 £ '000	2008 £ '000
Trade creditors	58	63
Rent and service charges received in advance	322	378
Interest payable	692	471
Other taxation and social security	175	116
Other creditors	445	612
Accruals and deferred income	3,733	5,002
Disposal Proceeds Fund (Note 18)	493	182
	5,918	6,824

17. Creditors: amounts falling due after more than one year

	2009 £ '000	2008 £ '000
Housing loans		
Within one to two years	-	-
Within two to five years	-	-
In five years or more	168,013	133,013
Total housing loans	168,013	133,013
Less: Loan arrangement costs	(386)	(395)
	167,627	132,618
Disposal proceeds fund (Note 18)	228	609
	167,855	133,227

The housing loans are secured by a floating charge over the assets of the Company and by specific charges on the Company's housing properties. All loans are repayable by means of bullet repayments in the years 2022 to 2037. At 31 March 2009 the Company had undrawn loan facilities of £82m (2008: £117m).

18. Disposal Proceeds Fund

	2009 £ '000	2008 £ '000
At 1 April 2008	791	910
Net sales proceeds recycled	113	99
Interest accrued	37	34
Applied to new build	(220)	(252)
	721	791
Due within one year	493	182
Due after more than one year	228	609

19. Non-equity share capital

CHP is a company limited by guarantee and has no issued share capital.

At 31 March 2009 the Company had 91 shareholding members (31 March 2008: 85).

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends. In the event of a winding up the members are liable to subscribe for £1 each to satisfy their guarantee to the Company.

20. Reserves

	Revaluation Reserve £ '000	Revenue Reserve £ '000	Total Reserves £ '000
At 1 April 2008	37,721	(28,409)	9,312
Deficit for the year	-	(599)	(599)
Surplus on revaluation of properties	15,412	-	15,412
Actuarial gain relating to pension scheme	-	154	154
Transfer in respect of depreciation on revalued properties	(535)	535	-
Transfer in respect of realised gain on disposal of revalued properties	(43)	43	-
At 31 March 2009	52,555	(28,276)	24,279

21. Financial commitments

Capital expenditure commitments were as follows:	2009 £ '000	2008 £ '000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	12,619	10,908
Expenditure authorised by the Board, but not contracted	39,141	4,700
	51,760	15,608

The above commitments will be financed through a combination of Social Housing Grant (£19m) and the undrawn loan facilities provided by the Bank of Scotland and Barclays Bank.

22. Operating leases

The payments which the Company is committed to make in the next year under operating leases are as follows:

	Leases Expiring	2009 £ '000	2008 £ '000
(i) Land and buildings	Within one year	62	35
	One to five years	30	30
		92	65
(ii) Office and computer equipment	Within one year	62	-
	One to five years	62	33
		124	33
(iii) Vehicle leases	Within one year	232	176
	One to five years	152	170
		384	346

23. Contingent liabilities

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

24. Pension obligations

Essex County Council Pension Fund (ECCPF)

The ECCPF is a multi-employer scheme, administered by Essex County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2009 by a qualified independent actuary.

The employer's contributions to the ECCPF by the Company for the year ended 31 March 2009 were £1,119,000 (2008: £680,000) at a contribution rate of 12.7% (2008: 15.2%) of pensionable salaries, set until the next funding valuation at 31 March 2009. The current year contributions include £405,000 in relation to early retirement costs due to redundancy.

Assumptions

The main financial assumptions used by the actuary were:

% per annum	31 Mar 2009	31 Mar 2008	31 Mar 2007	31 Mar 2006	31 Mar 2005
Rate of increase in salaries	4.8%	5.1%	4.6%	4.4%	4.4%
Rate of increase in pensions in payment	3.3%	3.6%	3.1%	2.9%	2.9%
Discount rate	7.1%	6.1%	5.4%	5.4%	5.4%
Inflation assumption	3.3%	3.6%	3.1%	2.9%	2.9%

Fair value and expected return on assets

The fair value and expected return on assets in the ECCPF related to the Company were:

	Expected return 31 Mar 2009	Fair value 31 Mar 2009	Fair value 31 Mar 2008	Fair value 31 Mar 2007	Fair value 31 Mar 2006	Fair value 31 Mar 2005
	%	£ '000	£ '000	£ '000	£ '000	£ '000
Equities	7.5%	8,747	9,906	10,089	8,906	6,762
Government Bonds	4.0%	1,022	1,326	1,441	1,314	1,080
Bonds	6.0%	622	931	917	707	579
Property	6.5%	1,151	1,510	1,820	1,465	1,119
Cash	0.5%	200	437	291	240	275
		11,742	14,110	14,558	12,632	9,815
Value placed on liabilities		(16,942)	(19,238)	(17,328)	(16,980)	(13,895)
Net pension liability		(5,200)	(5,128)	(2,770)	(4,348)	(4,080)

24. Pension obligations (continued)

Funding position at 31 March each year

	2009	2008	2007	2006	2005
	£ '000	£ '000	£ '000	£ '000	£ '000
Share of assets	11,742	14,110	14,558	12,632	9,815
Estimated funded liabilities	(16,942)	(19,238)	(17,328)	(16,980)	(13,895)
Deficit	(5,200)	(5,128)	(2,770)	(4,348)	(4,080)

Analysis of the amount charged to operating surplus for the year ending 31 March each year:

	2009	2008	2007	2006	2005
	£ '000	£ '000	£ '000	£ '000	£ '000
Current service cost	(752)	(586)	(679)	(609)	(641)
Past service cost	-	(186)	(134)	385	-
Curtailments	(367)	-	-	(278)	-
Total operating charge	(1,119)	(772)	(813)	(502)	(641)

Analysis of amount credited/(charged) to other finance income/(costs) for the year ending 31 March:

	2009	2008	2007	2006	2005
	£ '000	£ '000	£ '000	£ '000	£ '000
Expected return on pension scheme assets	959	977	814	664	11
Interest on pension scheme liabilities	(1,185)	(947)	(846)	(756)	-
Net (charge)/income	(226)	30	(32)	(92)	11

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL) for each year ending 31 March:

	2009	2008	2007	2006	2005
	£ '000	£ '000	£ '000	£ '000	£ '000
Actual return less expected return on pension scheme assets	(4,044)	(1,590)	158	1,606	105
Experience gains and losses on the scheme liabilities	4,211	362	518	(632)	(2,592)
Changes in underlying assumptions	(13)	(1,068)	1,087	(1,587)	(1,289)
Total actuarial gain/(loss)	154	(2,296)	1,763	(613)	(3,776)

24. Pension obligations (continued)

Analysis of movement in deficit during the year to 31 March in each year:

	2009 £ '000	2008 £ '000	2007 £ '000	2006 £ '000	2005 £ '000
Deficit in scheme at beginning of year	(5,128)	(2,770)	(4,348)	(4,080)	(286)
Total contributions	1,119	680	660	939	612
Current service cost	(752)	(586)	(679)	(609)	(641)
Past service cost	(367)	(186)	(134)	107	-
Other finance (costs)/income	(226)	30	(32)	(92)	11
Actuarial gain / (loss)	154	(2,296)	1,763	(613)	(3,776)
Deficit in scheme at end of year	(5,200)	(5,128)	(2,770)	(4,348)	(4,080)

Reconciliation of opening and closing balances of the fair value of scheme assets as at 31 March in each year:

	2009 £ '000	2008 £ '000
Opening fair value of assets	14,110	14,558
Expected return on assets	959	977
Actuarial losses on assets	(4,057)	(1,954)
Contributions by the employer	1,119	680
Contributions by the members	265	204
Net benefits paid out	(654)	(355)
Closing fair value of assets	11,742	14,110

Reconciliation of opening and closing balances of the fair value of scheme liabilities as at 31 March in each year:

	2009 £ '000	2008 £ '000
Opening fair value of liabilities	19,238	17,328
Current service cost	752	586
Interest cost	1,185	947
Contributions by the members	265	204
Actuarial (gains) / losses on liabilities	(4,211)	342
Net benefits paid out	(654)	(355)
Past service cost	367	186
Closing fair value of liabilities	16,942	19,238

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

	2009 £ '000	2008 £ '000
Operating surplus	6,243	7,591
Depreciation of tangible fixed assets	1,536	1,645
Amortisation of loan fees	9	9
Impairment of tangible fixed assets	1,446	
Deficit on disposal of tangible fixed assets	13	-
FRS17 adjustment	-	(92)
	9,247	9,153
Working capital movements		
Properties for outright sale	1,036	(1,683)
Stock	55	2
Debtors	(2,658)	344
Creditors	(1,218)	(136)
Net cash inflow from operating activities	6,462	7,680

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

	2009 £ '000	2008 £ '000
Increase in cash	1,214	522
Cash inflow from increase in debt and lease finance	(35,000)	(16,418)
Total changes in net debt for the period	(33,786)	(15,896)
Net debt at 1 April	(132,145)	(116,249)
Net debt at 31 March	(165,931)	(132,145)

27. Analysis of net debt

	2008 £ '000	Cash flow £ '000	2009 £ '000
Cash at bank and in hand	868	1,214	2,082
Debt due after more than one year	(133,013)	(35,000)	(168,013)
Net debt	(132,145)	(33,786)	(165,931)

28. Post balance sheet events

After the year end 7 unsold shared ownership properties were converted to social rent tenure. The value of the current asset element of these properties at 31 March 2009 was £346,000. Additionally 1 unsold shared ownership property has been converted to intermediate rent tenure since the year end. The value of the current asset element of that property at 31 March 2009 was £35,000.

29. Related parties

There are five resident members of the board. These members are Brian Shedley (Vice Chairman), Eva Oakes, Andrew Ives, Robin Jellicoe, and Ursula Heelis. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

Two members of the board, Trevor Miller and Richard Poulter, are councillors with Chelmsford Borough Council, a local authority having nomination rights over tenancies for certain Company properties. All transactions with the council are on normal commercial terms and board members are not able to use their position to their advantage.

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