

Where are we?

Our accounts
2007-08



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Board Members, Executive Directors, Advisors and Bankers

Board

Chairman Martin Dean
Vice Chairman Bob Sankey (resigned 22/05/08)
Brian Shedley (appointed to Board 22/05/07, as Vice Chairman 22/05/08)

Directors

Colleen Green
Trevor Miller
Penny Taylor
Eva Oakes (appointed 10/10/07)
Richard Poulter (appointed 14/5/08)
Andrew Heywood (appointed 15/4/08)
Robin Jellicoe (appointed 24/8/08)
John Keeling (appointed 24/8/08)
Andrew Ives (appointed 24/8/08)

Other Directors who served in the year

Patricia Hughes (resigned 14/5/08)
Paul Mackley (resigned 10/10/07)
Barry Millard (resigned 1/05/08)
Dawn Amor (resigned 5/11/07)
Dawn Carter (resigned 10/10/07)
Colin Taylor (appointed 15/4/08 resigned 24/8/08)
Bob Denston (appointed 24/05/07, resigned 14/5/08)
David Gold (appointed 10/10/07, resigned 31/5/08)
Julie Maybrick (appointed 24/05/07, resigned 14/5/08)

Executive Directors

Chief Executive and Secretary Stuart Stackhouse
Director of Resources Carl Gosbee (appointed 23/6/08)
Director of Resources Graeme Clark (interim - resigned 30/6/08)
Director of New Business David Cotterill
Director of Operations Lynne Foster

Registered office

Myriad House
23 Springfield Lyons Approach
Chelmsford
Essex
CM2 5LB

Registered number

Registered Company No: 4105878 Registered Housing Corp No: L4331

Auditors

Grant Thornton UK LLP
Chartered Accountants
Byron House
Cambridge Business Park
Cambridge
CB4 0WZ

Solicitors

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

Devonshires
Salisbury House
London Wall
London EC2M 5QY

Bankers

Royal Bank of Scotland
St Albans Corporate Office
2nd Floor, St Peter's Street
St Albans
Herts AL1 3LY

Funders

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

Barclays Bank
1 Churchill Place
London
E14 5HP

Report of the Board

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2008.

Principal activities

The Chelmer Housing Partnership Group (the 'Group') consists of Chelmer Housing Partnership Limited ('the company') a company limited by guarantee and a Registered Social Landlord administered by a voluntary Board, and a wholly owned subsidiary CHP Charitable Trust, an Industrial and Providential Society. The Group's principal activities are the development and management of affordable housing.

Business review

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

Housing property assets

Details of changes to the Group's fixed assets are shown in notes 12 and 13 to the financial statements. Housing stock is carried at valuation and changes in values are considered in the Operating and Financial Review.

Reserves

After transfer of the surplus for the year of £1.4 million (2007: £2.7 million deficit - restated), at the year-end Group reserves amounted to £10.1 million (2007: £5.0 million - restated), including an accumulated revaluation surplus on housing properties of £37.7 million (2007: £31.9 million - restated).

Post balance sheet events

Details of the significant events which have occurred since 31st March 2008 are given in note 31 (page 40). None of these have had a significant effect on the group's financial position.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within their payment terms.

Financial instruments

The Group's use of financial instruments and its approach to financial risk management is outlined in the Operating and Financial Review.

Employees

The strength of the Group 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 on their contribution.

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

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

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board Members and Executive Directors

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

The Executive Directors are the Chief Executive and the other members of the Group's executive management team. Graeme Clark, the Interim the Director of Resources, resigned on 30th June 2008 and was replaced by Carl Gosbee who joined the Group on 23rd June 2008. The other Executive Directors served throughout the year. 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 is part of a management structure review which is expected to be completed in the first half of 2008/09.

The Executive Directors hold no interest in the Company's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify Board Members and officers against liability when acting for the Group.

Service contracts

All Executive Directors are employed on the same terms as other staff; the notice period for the Chief Executive is six months and three months for other members of the executive team.

Pensions

All Executive Directors are members of the Essex County Council Pension Fund, a defined benefit final salary pension scheme. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits

The Executive Directors are entitled to other benefits such as the provision of a car or car allowance and health care insurance. Details of their aggregate remuneration packages are included in note 10 to the audited financial statements. Note 10 also includes details of the remuneration package for the highest paid Executive Director.

Report of the Board (continued)

NHF Code of Governance

The Board is pleased to report that the Group complies with the principal recommendations of the NHF Code of Governance (revised 2004). There are three key governance-related matters to highlight this year:

- At the Board Meeting on 22nd May 2008, Bob Sankey resigned as vice-chairman after 6 years in office and Brian Shedley was elected vice-chairman of the board.
- At the Annual General Meeting 10th October 2007 Company Members agreed to reduce the number of Board Directors from 15 to 12 and to amend how the Board Directors were elected from the stakeholder groups. There are now 5 resident Board Directors (previously 5), 5 Independent Board Directors (previously 5) and 2 Council Board Directors (previously 5).

Resident Involvement

The Group actively encourages residents' involvement in decision-making by promoting a number of mechanisms for their contribution and feedback on outcomes. The Board has five resident Board Members and clear reporting arrangements between resident groups and the Board itself.

Complaints and Compliments

The Group has a clear and simple complaints policy issued to all residents. During the year the Group received 634 complaints of which 91.2% were resolved within target timeframes to the satisfaction of the residents. All complaints received within the year have been resolved. During the year 1,472 compliments were received about CHP's service and its employees.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place throughout the period commencing 1 April 2007 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit, Operations, Development and Resources 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
- formal recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for significant new initiatives and commitments
- a sophisticated approach to treasury management which is subject to external review each year
- regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board approved whistle-blowing and anti-theft and corruption policies
- Board approved fraud policies, covering prevention, detection and reporting of fraud, and the recovery of assets.

A fraud register is maintained and is reviewed by the audit committee on an annual basis.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the audit committee to regularly review the effectiveness of the system of internal control. The Board receives regular reports from the Audit Committee together with minutes of Audit Committee meetings.

The Audit Committee has received the annual report of the internal auditor, and has reported its findings to the board.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, 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 9th October 2008 in Essex.

Report of the Board (continued)

Disclosure of information to auditors

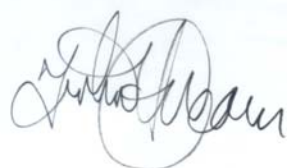
At the date of making this report each of the Board Directors, as set out on page 1, confirm the following:

- 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 he ought to have 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 Grant Thornton UK LLP as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved by the Board on 25th September 2008 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Martin Dean', is written over a light blue rectangular background.

Martin Dean
Chairman

Operating and Financial Review

Background

Activities

Chelmer Housing Partnership Group (the 'Group') consists of Chelmer Housing Partnership Limited (the 'Company') a Registered Social Landlord, and a wholly owned subsidiary CHP Charitable Trust, an Industrial and Provident Society. The Group's head office is based in Chelmsford, Essex and its housing properties are in or bordering Essex.

The Company is non-charitable and 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 managing over 7,000 properties, the Group 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;
- consulting on changes to the planning and taxation systems to help finance new developments.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering decent homes for all social housing residents by 2010. Housing Companies are also expected to contribute to efficiency targets for the social housing sector, which were set following the Gershon review; the Group is therefore faced with the challenging objectives of improving both efficiency and quality of services.

Objectives and Strategy

The Group'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 10,000 units within 5 years (10k5)
- To obtain 3 star rated services as agreed with residents within 3 years (3*3)

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

Making sure the Group's services are of the highest quality and delivered consistently by:

- Implementing the 'Customer First Plan';
- Achieving 'CHP Plus' standards for all the homes in the Group (a higher standard than that required to achieve decent homes);
- Making sure Group 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.

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 the Group.

Operating and Financial Review (continued)

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 the Group'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 the Group's performance.

Growing the business by:

- Developing and delivering Group 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 the Group's objectives are set out below. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement.

Performance against these indicators is set out below.

Finance

The Board set a challenging budget for the year. Planned rental increases were restricted to half a percent above inflation, the maximum permitted under rent restructuring legislation which came into effect on 1st April 2007, and substantial increases in the costs of recruiting and retaining staff were anticipated, as well as higher insurance premiums and repair costs than in previous years. The Board is pleased to report a surplus before taxation of £1.4 million (2007: £2.7 million deficit as restated) for the Group, in line with the budget and the long-term business plan. Financial performance has meant that lenders' covenants were met.

By the year-end Group funds amounted to £10.1 million (2007: £5.0 million as restated).

Development

Development targets were not quite met with just 39 new homes completed and transferred into management during the year including 17 homes for shared ownership sale (overall target of 97), however 60 homes were completed and transferred into management in the first quarter of 2008/09. Targets have been raised to 300 homes for 2008-09.

Asset management

In the year the Group completed the conversion of three of its older sheltered housing properties to one and two bedroom self-contained flats and is pleased to report that demand for the new accommodation has been high.

The proportion of general needs and supported housing properties meeting the Decent Homes Standard decreased from 99.1% to 97.3% during the year, slightly behind the target (99.5%), due to changes in the Government's definition of decent homes during the year. The extent of work assessed as needed to achieve DHS status is relatively minor and has been included in programmed works.

Customer service

Performance against financial performance indicators is set out in Table 1 (page 9) and summarised below.

Rent losses from voids and bad debts

The target for 2007/08 was to keep rent losses below 2% of rental income receivable, and this was achieved. The focus for the housing management team in the coming year will be to continue to minimise rent losses whilst the lettings system changes to a Choice Based System. The target for the coming year is to reduce rent losses to 1.98% of rental income.

Rent arrears

Overall rent arrears at the year-end had fallen to 2.08% (2007: 2.1%), exceeding the target of 2.1%. The target for the coming year is to manage rent arrears within 1.9% of rental income.

Repair response times

Performance against this indicator has a direct impact on the Group's service to its customers and the Group is pleased to report an improvement in its repairs service with performance against target response times shown below.

Operating and Financial Review (continued)

Key Performance Indicator: Percentage of repairs completed within target response time	
Emergency: target 98% of jobs completed within 24 hours	Actual: 97.3% (2007: 96.0%)
Urgent: target 98% of jobs completed within 7 days	Actual: 99.3% (2007: 98.9%)
Routine: target 98% of jobs completed within one month	Actual: 98.8% (2007: 97.5%)

Staff Turnover

The Board recognises that the success of the business depends on the quality of its managers and staff. In any organisation some staff changes are inevitable.

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 2007/08 our staff turnover of 15.4% (2007: 8.3%) was within the target range.

The Company has undertaken a management structure review which will be implemented during 2008/09. Any financial impact will be included in the results for that year.

Risks and Uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the senior management team and 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 the Group, 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. The Group has identified the major risks to successful achievement of its objectives and these are considered below.

Key risk	Status	Impact on strategic objectives
Relationship with key local authorities	Work has been undertaken to improve these key relationships especially those relating to planning matters.	Development Asset Management
Poor demand for new property units	Half the Group's development programme is low cost home ownership and success depends on demand for the properties. Demand for properties has been historically high but relies on council nominations. The current market conditions mean that other tenure options will also be considered in the short term.	Development
Interest rate changes	An increase in interest rates of just 0.5% would increase annual interest payable by over £500k. Interest risk is mitigated by the use of swaps to fix interest payable over the medium term.	Finance Development Asset Management
Value for money	A current lack of expertise in procurement and contract management will be addressed in the management structure review.	Finance Development Asset Management
Customer Involvement Strategy changes	The Group will continue to make sure that involvement with residents is inclusive and representative through the change process	Customer Service

Financial Position

The Group's income and expenditure account and balance sheet are summarised in Table 1 (page 9) and the following paragraphs highlight key features of the Group's financial position at 31 March 2008.

Accounting policies

The Group's principal accounting policies are set out on pages 19 to 22 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

Operating and Financial Review (continued)

The Statement of Recommended Practice for Registered Social Landlords (2008) was released in January 2008 and the Group has chosen to adopt the new recommendations in advance. The key change relates to the accounting policy for shared ownership properties and prior period balances have been adjusted to reflect the change in accounting policy which increased the opening revenue reserves balance by £943k (note 32).

Housing properties

At 31 March 2008 the Group owned 6,743 housing properties (2007: 6,742).

The Board appointed external professional valuers to undertake the annual valuation of the Group's housing properties as at 31 March 2008. The value of the properties, on an existing use for social housing basis, was £132 million and this has been reflected in the valuation of properties in the financial statements. On re-valuation, the surplus of £6.3 million over the restated carrying value has been taken to the property revaluation reserve.

A prior year adjustment affecting completed properties and properties under construction is explained in note 32 on page 40.

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

Pension costs

The Group 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. The Group 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 2008 and has been reflected in the adjustment to the pension liability.

Capital structure and treasury policy

The Group borrowed a further £16.4 million during the year, to develop general family housing and to fund its refurbishment and general activities. By the year end Group borrowings amounted to £132.6 million, none of which falls due within the next year.

Maturity	2008	2007
	£m	£m
After five years	132.6	116.2
	<hr/>	<hr/>
	132.6	116.2

The Group borrows from its funders, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep between 60 and 80 per cent of its borrowings at fixed rates of interest (The Group views its use of quarterly cancellable interest rate swaps as equivalent to variable rate borrowings for this purpose). At the year-end, 68% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (2007: 78%).

The fixed rates of interest range from 3.83% to 5.65%; The weighted average interest rate at 31st March was 5.14%, this means that the Group is paying interest at rates below market levels. The Board approved plans to restructure Group debt during 2007-8 and this activity was completed with effect from 3rd April 2007. The impact has been a reduction in bank margins saving £132.6k.

The trend information in Table 1 (page 9) shows that gearing, calculated as total loans as a percentage of capital employed, had decreased to 89.7% by 31 March 2008. During the next twelve months further planned borrowings to finance new developments could increase this gearing.

The Group 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 18).

The cash inflow from operating activities increased this year to £7.5 million (2007: inflow of £2.2 million), mostly reflecting the comparative reduction in expenditure on major repairs. In addition, thirteen properties were sold under shared ownership during the year and the adoption of SORP 2008 brings these proceeds into turnover for the year.

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 almost £20 million during the next financial year to develop new properties. Almost all of the investment will be through new borrowings with the balance funded through social housing grant. Undrawn loan facilities of £117.4 million are available within the renegotiated 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 within 5 years and supplements the development partnership with the Flagship Group which was already in place.

A full survey of the condition of CHP housing stock was undertaken in 2007/08 and a new planned maintenance programme will be approved and implemented during the 2008/09 financial year. Funding is identified to underpin this expenditure within the 40 year financial plan.

Statement of Compliance

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

Table 1 – Group Highlights, Three Year Summary

For the year ended 31 March	2008	2007 Restated*	2006 Restated*
Group Income and Expenditure account (£'000)			
Total turnover	28,880	30,113	24,800
Income from lettings	26,260	24,497	24,002
Operating surplus	7,468	2,643	(3,541)
Surplus for the year transferred to reserves	1,393	(2,687)	(8,589)
Group Balance Sheet (£'000)			
Tangible fixed assets	149,018	126,940	119,005
Net current assets / (liabilities)	(1,168)	(2,963)	(4,608)
Loans (due over one year)	132,618	116,200	111,700
Pensions liability	5,128	2,770	4,348
Reserves	10,104	5,007	(1,652)
Accommodation figures			
Total housing stock owned at year end (<i>number of dwellings</i>)	6,743	6,742	6,719
Statistics			
Surplus / (deficit) for the year as % of turnover	4.82%	(8.92%)	(34.63%)
Surplus for the year as % of income from lettings	5.30%	(10.97%)	(35.78%)
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	2.1%	1.5%	2.5%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	3.2%	4.5%	5.5%
Interest cover (<i>surplus before interest payable divided by interest payable</i>)	1.22	0.6	0.7
Liquidity (<i>current assets divided by current liabilities</i>)	0.8	0.6	0.3
Gearing (<i>total loans as % of capital employed</i>)	89.7%	93.7%	97.6%
Total reserves per home owned	£1,498	£743	(£246)

* The 2007 and 2006 figures have been restated for change in shared ownership accounting policy and adjustments affecting the 2007 valuation numbers.

Statement of Responsibilities of the Board

Statement of the responsibilities of the 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.

Company law and Registered Social Landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company at the end of the year and of the surplus or deficit of the Group and Company for the year then ended.

In preparing those financial statements the Board is required to:

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

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

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

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

Independent Auditors' Report to the Members of Chelmer Housing Partnership Limited

We have audited the group and company financial statements of Chelmer Housing Partnership Limited for the year ended 31 March 2008 on pages 12 to 41 which have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the board and auditors

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

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

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

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

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

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

Basis of 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 group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and company as at 31 March 2008 and of the surplus for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006
- the information given in the report of the board is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Cambridge, England

25 September 2008.

Consolidated Income and Expenditure Account

For the year ended 31 March 2008

	Note	2008 £ '000	2007 £ '000 Restated
Turnover: continuing activities	3	28,880	30,113
Operating costs	3	(21,412)	(27,470)
Operating surplus	3	<u>7,468</u>	<u>2,643</u>
Surplus on sale of housing properties	6	188	659
Interest receivable and other income	7	60	57
Interest payable and similar charges	8	(6,353)	(6,014)
Other finance income / (costs)		30	(32)
		<u>1,393</u>	<u>(2,687)</u>
Surplus / (Deficit) on ordinary activities before taxation		1,393	(2,687)
Tax on surplus/(deficit) on ordinary activities	11	-	-
		<u>1,393</u>	<u>(2,687)</u>
Surplus / (Deficit) for the financial year	22	<u><u>1,393</u></u>	<u><u>(2,687)</u></u>

The notes on pages 19 to 41 form part of these financial statements.

Company Income and Expenditure Account

For the year ended 31 March 2008

	Note	2008 £ '000	2007 £ '000 Restated
Turnover: continuing activities	3	28,880	30,113
Operating costs	3	(21,289)	(27,359)
Operating surplus		<u>7,591</u>	<u>2,754</u>
Surplus on sale of housing properties	6	188	659
Interest receivable and other income	7	57	50
Interest payable and similar charges	8	(6,353)	(6,014)
Other finance costs		30	(32)
		<u>1,513</u>	<u>(2,583)</u>
Surplus / (Deficit) on ordinary activities before taxation		1,513	(2,583)
Tax on surplus/(deficit) on ordinary activities	11	-	-
		<u>1,513</u>	<u>(2,583)</u>
Surplus / (Deficit) for the financial year	22	<u>1,513</u>	<u>(2,583)</u>

The notes on pages 19 to 41 form part of these financial statements.

Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2008

	Group		Company	
	2008 £ '000	2007 £ '000 Restated	2008 £ '000	2007 £ '000 Restated
Surplus / (Deficit) for the financial year	1,393	(2,687)	1,513	(2,583)
Unrealised surplus on revaluation of housing properties (Restated)	6,254	7,504	6,254	7,504
Transfer in respect of realised gain on disposal of revalued properties	(254)		(252)	
Actuarial gain/(loss) relating to pension scheme	<u>(2,296)</u>	<u>1,764</u>	<u>(2,296)</u>	<u>1,764</u>
Total recognised gain relating to the year	<u>5,097</u>	<u>6,581</u>	<u>5,219</u>	<u>6,685</u>
Prior year adjustment (Note 32)	<u>(4,111)</u>		<u>(4,111)</u>	
Total recognised surpluses and deficits since the last report	<u>986</u>		<u>1,108</u>	

Note of Historical Cost Surpluses and Deficits

For the year ended 31 March 2008

	Group		Company	
	2008 £ '000	2007 £ '000 Restated	2008 £ '000	2007 £ '000 Restated
Reported surplus / (deficit) on ordinary activities before taxation	1,393	(2,687)	1,513	(2,583)
Realisation of property revaluation gains	73	83	73	83
Excess of actual depreciation charge over historical cost depreciation	<u>(4,902)</u>	<u>(3,851)</u>	<u>(4,902)</u>	<u>(3,851)</u>
Historical cost surplus on ordinary activities before taxation	<u>(3,436)</u>	<u>(6,455)</u>	<u>(3,316)</u>	<u>(6,351)</u>
Taxation	-	-	-	-
Historical cost retained deficit	<u><u>(3,436)</u></u>	<u><u>(6,455)</u></u>	<u><u>(3,316)</u></u>	<u><u>(6,351)</u></u>

Reconciliation of Movements in Funds

For the year ended 31 March 2008

	Group		Company	
	2008 £ '000	2007 £ '000	2008 £ '000	2007 £ '000
Opening funds as previously stated	5,007	(1,652)	4,884	(1,879)
Prior year adjustment (to 31 March 2006)	-	78	-	78
Opening total funds as restated	<u>5,007</u>	<u>(1,574)</u>	<u>4,884</u>	<u>(1,801)</u>
Total recognised surpluses and deficits relating to the year	5,097	6,581	5,219	6,685
Closing total funds	<u><u>10,104</u></u>	<u><u>5,007</u></u>	<u><u>10,103</u></u>	<u><u>4,884</u></u>

Consolidated Balance Sheet

At 31 March 2008

	Note	2008 £ '000	2007 £ '000 Restated
Tangible fixed assets			
Housing properties	12	143,589	126,815
Other tangible fixed assets	13	5,429	125
		<hr/>	<hr/>
		149,018	126,940
		<hr/>	<hr/>
Current assets			
Properties for sale	15	3,380	1,697
Stocks		152	154
Debtors	16	1,052	1,396
Investments	17	694	162
Cash at bank and in hand		177	308
		<hr/>	<hr/>
		5,455	3,717
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	18	(6,623)	(6,680)
		<hr/>	<hr/>
Net current liabilities		(1,168)	(2,963)
		<hr/>	<hr/>
Total assets less current liabilities		147,850	123,977
		<hr/>	<hr/>
Creditors:			
Amounts falling due after more than one year	19	132,618	116,200
Net pension liability	9	5,128	2,770
		<hr/>	<hr/>
		137,746	118,970
		<hr/>	<hr/>
Capital and reserves			
Revaluation reserve	22	37,721	31,854
Restricted reserve	22	791	910
Revenue reserve	22	(28,408)	(27,757)
		<hr/>	<hr/>
Consolidated funds	22	10,104	5,007
		<hr/>	<hr/>
		147,850	123,977
		<hr/>	<hr/>

The financial statements were approved by the Board on 25th September 2008 and signed on its behalf by:



Martin Dean
Chairman

Company Balance Sheet
At 31 March 2008

	Note	2008 £ '000	2007 £ '000 Restated
Tangible fixed assets			
Housing properties	12	143,589	126,815
Other tangible fixed assets	13	5,429	125
		<hr/>	<hr/>
		149,018	126,940
Current assets			
		<hr/>	<hr/>
Properties for sale	15	3,380	1,697
Stocks		152	154
Debtors	16	1,052	1,395
Investments	17	692	41
Cash at bank and in hand		176	306
		<hr/>	<hr/>
		5,452	3,593
Creditors: Amounts falling due within one year	18	(6,621)	(6,679)
		<hr/>	<hr/>
Net current liabilities		(1,169)	(3,086)
		<hr/>	<hr/>
Total assets less current liabilities		147,849	123,854
		<hr/>	<hr/>
Creditors:			
Amounts falling due after more than one year	19	132,618	116,200
Net pension liability	9	5,128	2,770
		<hr/>	<hr/>
		137,746	118,970
		<hr/>	<hr/>
Capital and reserves			
Revaluation reserve	22	37,721	31,854
Restricted reserve	22	791	910
Revenue reserve	22	(28,409)	(27,880)
		<hr/>	<hr/>
Company's funds	22	10,103	4,884
		<hr/>	<hr/>
		147,849	123,854
		<hr/>	<hr/>

The financial statements were approved by the Board on 25th September 2008 and signed on its behalf by:



Martin Dean
Chairman

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 £ '000	2007 £ '000 Restated
Net cash inflow from operating activities	25	7,557	2,248
Returns on investments and servicing of finance		<hr/>	<hr/>
Interest received		60	57
Interest paid		(6,672)	(6,014)
		<hr/>	<hr/>
		(6,612)	(5,957)
Taxation paid		<hr/>	<hr/>
Corporation tax paid		-	-
Capital expenditure		<hr/>	<hr/>
Purchase and improvement of housing properties		(12,534)	(4,814)
Social housing grant received		622	-
Purchase of other fixed assets		(5,494)	(128)
Sale of housing properties		-	3,061
Proceeds from sale of housing properties		444	1,051
Sales of other fixed assets		-	-
		<hr/>	<hr/>
		(16,962)	(830)
Net cast (outflow) / inflow before use of liquid resources and financing		<hr/>	<hr/>
		(16,017)	(4,539)
Management of liquid resources		<hr/>	<hr/>
Cash deposited/withdrawn from money market deposit accounts		(532)	126
Financing		<hr/>	<hr/>
Loans received		16,418	4,500
(Decrease) / increase in cash	26	<hr/>	<hr/>
		(131)	87
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements 31 March 2008

1. Legal Status

The company is registered under the Companies Act 1985 and is registered with the Housing Corporation as a social landlord.

2. Accounting Policies

Basis of accounting

The financial statements of the Group and 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 properties.

The prior period adjustment reflects a change in the accounting policy for shared ownership first tranche sales under SORP 2008 which the board has chosen to adopt early, together with adjustments in respect of the prior year property valuation as reflected in the Financial Statements. The effect of the change is shown in more detail in note 32.

Basis of consolidation

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

Turnover

Turnover comprises rental income receivable in the year, income from property 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

Shared ownership developments anticipated to be first tranche disposals, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Supporting people

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

Right to Buy (RTB) and other sales

Surpluses and deficits arising from Right to Buy (RTB) disposals are disclosed on the face of the income and expenditure account. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Chelmsford Borough Council. The surplus or deficit is calculated by comparing net proceeds received with the carrying value of the property sold.

The net proceeds of any Right to Acquire (RTA) sales are held in the 'disposal proceeds fund' under Creditors. Interest is added to the fund from the date of the sale.

Notes to the Financial Statements

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 (EUV-SH). 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, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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.

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

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is provided on the cost, net of social housing grant, or valuation 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. The Group's housing properties are depreciated at the following annual rates:

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

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 adjustment is charged to operating surplus.

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:

Office fittings	3 years
Computer hardware and software	3 years
Light plant and tools	3 years
Office furniture and equipment	5 years
Motor vehicles	7 years

Notes to the Financial Statements

Capitalisation of modernisation and repair costs

Modernisation works to be capitalised where they significantly extend the life of the property. Depreciation charged on straight-line basis over 25 years.

Stocks

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

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

Provision for bad debts

The general provision for current residents' arrears is 15%. The provision for other related arrears is as follows:

Housing benefit overpayments	50%
Former resident arrears	100%
Private garages	25%
Former private garage residents	100%
Provision for other bad debts	20% (unless recovery arrangement is in place)

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

CHP 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 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.

Notes to the Financial Statements

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.

Derivatives

The Group uses interest rate swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Current asset investments

Investments are stated at market value.

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 Group 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.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Revaluation reserve

The difference between the market value of investments and the historical cost carrying value is credited to the revaluation reserve.

Notes to the Financial Statements

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

COMPANY – continuing activities

	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	27	-	-	27
Other	646	-	(31)	615
	673	-	(31)	642
	28,880	(814)	(20,475)	7,591

	2007- Restated			
	Turnover	Cost of Sales	Operating costs	Operating surplus / (deficit)
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	24,497	-	(21,985)	2,512
Other social housing activities				
Supporting people	677	-	(1,778)	(1,101)
Development services	-	-	(326)	(326)
Development costs not capitalised	-	-	(89)	(89)
Management services	30	-	(44)	(14)
First tranche shared ownership sales	3,926	(3,061)	-	865
Other	323	-	-	323
	4,956	(3,061)	(2,237)	(342)
Non-social housing activities				
Lettings	24	-	(5)	19
Other	636	-	(71)	565
	660	-	(76)	584
	30,113	(3,061)	(24,298)	2,754

Notes to the Financial Statements

3. Turnover, cost of sales, operating costs and operating surplus on lettings (continued) Particulars of income and expenditure from social housing lettings

GROUP & COMPANY

	2008				2007
	General needs housing	Supported housing and housing for older people	Low cost home ownership	Total	Total (restated*)
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	17,202	7,373	173	24,748	24,010
Service income	449	1,042	21	1,512	487
Charges for support services	-	-	-	-	-
Net rental income	17,651	8,415	194	26,260	24,497
Other revenue grants	-	-	-	-	-
Turnover from social housing lettings	17,651	8,415	194	26,260	24,497
Management	4,566	1,956	30	6,552	6,229
Services	246	574	-	820	300
Routine maintenance	2,677	759	-	3,436	2,437
Planned maintenance	3,343	1,007	44	4,394	7,698
Major repairs expenditure	373	920	-	1,293	4,248
Bad debts	82	24	-	106	(157)
Depreciation	1,161	498	-	1,659	1,237
Operating costs on social housing lettings	12,448	5,738	74	18,260	21,992
Operating surplus on social housing lettings	5,203	2,677	120	8,000	2,505
Void losses	315	135	27	477	528

*2007 now excludes other social housing activities

Notes to the Financial Statements

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

Particulars of turnover from non-social housing lettings

	Group		Company	
	2008 £ '000	2007 £ '000	2008 £ '000	2007 £ '000
Shop rental	467	490	467	490
Properties rented at market rate	27	24	27	24
Other	179	113	179	113
	<u>673</u>	<u>627</u>	<u>673</u>	<u>627</u>

4. Accommodation in management and development

Group and Company

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

	Group		Company	
	2008 No.	2007 No.	2008 No.	2007 No.
Social housing				
General housing	4,390	4,379	4,390	4,379
Supported housing and housing for older people	2,214	2,231	2,214	2,231
Shared ownership	114	97	114	97
Other	14	24	14	24
Managed by others	11	11	11	11
Total owned	<u>6,743</u>	<u>6,742</u>	<u>6,743</u>	<u>6,742</u>
Leasehold Properties	682	676	682	676
Accommodation managed for others (Housing management only- not repairs etc)	441	385	441	385
Total managed	<u>7,866</u>	<u>7,803</u>	<u>7,866</u>	<u>7,803</u>
Non-social housing				
Shops	65	65	65	65
Other	1	1	1	1
Total owned and managed	<u>7,932</u>	<u>7,869</u>	<u>7,932</u>	<u>7,869</u>

The Group manages accommodation for Flagship Housing Group, a registered social landlord operating in Essex. The Group owns and manages 26 supported housing units (2007: 26).

5. Operating Surplus

This is arrived at after charging/(crediting):

	Group		Company	
	2008 £ '000	2007 £ '000	2008 £ '000	2007 £ '000
Depreciation of housing properties	1,455	1,166	1,455	1,166
Depreciation of other tangible fixed assets	190	104	190	104
Operating lease rentals:				
- other fixed assets	653	654	653	654
Auditors' remuneration (including VAT):				
- for audit services	25	21	22	20
- for other services	-	-	-	-

Notes to the Financial Statements

6. Surplus on sale of fixed assets – housing properties

	Group		Company	
	2008	2007	2008	2007
	£ '000	Restated £ '000	£ '000	Restated £ '000
Disposal proceeds	1,752	2,813	1,752	2,813
Carrying value of fixed assets	(256)	(392)	(256)	(392)
Other operating costs and costs of disposal (including council claw-back)	(1,308)	(1,762)	(1,308)	(1,762)
	<u>188</u>	<u>659</u>	<u>188</u>	<u>659</u>

7. Interest receivable and other income

	Group		Company	
	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000
Interest receivable and similar income	60	57	57	50
	<u>60</u>	<u>57</u>	<u>57</u>	<u>50</u>

8. Interest payable and similar charges

	Group		Company	
	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000
On loans wholly or partly repayable in more than 5 years	6,672	6,014	6,672	6,014
Interest payable capitalised on housing properties under construction	(319)	-	(319)	-
	<u>6,353</u>	<u>6,014</u>	<u>6,353</u>	<u>6,014</u>
Average capitalisation rate used to determine the finance costs capitalised during the period	5.71%	-	5.71%	-

9. Employees

Average monthly number of employees expressed in full time equivalents:

	Group		Company	
	2008	2007	2008	2007
	No.	No.	No.	No.
Administration	44	40	44	40
Operational	129	127	129	127
Sheltered schemes – scheme managers	21	22	21	22
	<u>194</u>	<u>189</u>	<u>194</u>	<u>189</u>

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Wages and salaries	4,795	4,623	4,791	4,619
Social security costs	377	368	377	368
Other pension costs	709	691	708	690
	<u>5,881</u>	<u>5,682</u>	<u>5,876</u>	<u>5,677</u>

The Company's employees are members of either the Essex County Council Pension Fund or a defined contribution stakeholder's pension scheme. Further information on the final salary scheme is given overleaf. The Group contributes to both schemes for current employees.

Notes to the Financial Statements

9. Employees (continued)

Essex County Council Pension Fund (Group & Company)

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 2008 by a qualified independent actuary.

The employers' contributions to the ECCPF by the Company for the year ended 31 March 2008 were £680k (2007: £660k) at a contribution rate of 15.2% (2007, 15.2%) of pensionable salaries, set until the next funding valuation at 31 March 2008. the funding rate for 2008/09 has been set at 12.7% following the revaluation.

Assumptions

The main financial assumptions used by the actuary were:

	31 March 2008	31 March 2007	31 March 2006
	% per annum	% per annum	% per annum
Rate of increase in salaries	5.1%	4.6%	4.4%
Rate of increase in pensions in payment	3.6%	3.1%	2.9%
Discount rate	6.1%	5.4%	5.4%
Inflation assumption	3.6%	3.1%	2.9%

Fair value and expected return on assets

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

	Expected return	Fair value	Fair value	Fair value
	31 March	31 March 2008	31 March 2007	31 March 2006
	2008			
	%	£'000	£'000	£'000
Equities	7.5%	9,906	10,089	8,906
Government Bonds	4.6%	1,326	1,441	1,314
Bonds	6.1%	931	917	707
Property	6.5%	1,510	1,820	1,465
Cash	5.3%	437	291	240
		<u>14,110</u>	<u>14,558</u>	<u>12,632</u>
Value placed on liabilities		(19,238)	(17,328)	(16,980)
Net pension liability		<u>(5,128)</u>	<u>(2,770)</u>	<u>(4,348)</u>

Analysis of the amount charged to operating surplus

	2008	2007
	£ '000	£ '000
Current service cost	(586)	(679)
Past service cost	(186)	-
Curtailement gain / (cost)	-	-
Total operating charge	<u>(772)</u>	<u>(679)</u>

Analysis of the amount charged to other finance costs

	2008	2007
	£ '000	£ '000
Expected return on pension scheme assets	977	814
Interest on pension scheme liabilities	(947)	(846)
Net income/(charge)	<u>30</u>	<u>(32)</u>

Notes to the Financial Statements

9. Employees (continued)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2008	2007
	£ '000	£ '000
Actual return less expected return on pension scheme assets	(1,590)	158
Experience gains and losses arising on scheme liabilities	362	518
Changes in assumptions underlying the present value of scheme liabilities	(1,068)	1,087
	<u>(2,296)</u>	<u>1,763</u>
Actuarial (deficit) / surplus recognised in STRSD	<u>(2,296)</u>	<u>1,763</u>

Movement in deficit during the year

	2008	2007
	£ '000	£ '000
Group and Company share of scheme liabilities at beginning of year	(2,770)	(4,348)
Movement in year:		
Current service cost	(586)	(679)
Contributions	680	660
Past service cost	(186)	384
Net return / interest on assets	30	(32)
Actuarial (loss) / gain	(2,296)	1,245
	<u>(5,128)</u>	<u>(2,770)</u>
Group and Company share of scheme liabilities at end of year	<u>(5,128)</u>	<u>(2,770)</u>

History of experience gains and losses

	2008	2007	2006
Difference between expected and actual return on share of scheme assets:			
Amount (£'000)	(1,590)	158	1,606
Percentage of share of scheme assets	11.3%	1.2%	12.7%
Experience gains and losses on share of scheme liabilities:			
Amount (£'000)	362	518	(632)
Percentage of present value of share of scheme liabilities	1.9%	3.1%	3.7%
Total amount recognised in statement of total recognised surpluses and deficits:			
Amount (£'000)	(2,296)	1,763	613
Percentage of the present value of share of scheme liabilities	11.9%	10.4%	2.9%

10. Board Members and Executive Directors

	Basic salary	Benefits in kind	Pension contributions	2008 Total	2007 Total
	£	£	£	£	£
Aggregate Directors' Emoluments	278,089	3,626	46,561	328,276	392,762
Chief Executive					
Stuart Stackhouse	112,345	1,813	19,060	133,218	117,352
Aggregate amount paid to third party for services as director	91,547	-	-	91,547	-

Notes to the Financial Statements

10. Board Members and Executive Directors (Continued)

None of the Board Members received emoluments. The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, are shown above.

The Chief Executive is a member of the Essex County Council Pension Scheme. He is an ordinary member of the pension scheme 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

	Group & Company	
	2008	2007
	£ '000	£ '000
Current tax		
UK corporation tax on surplus for the year	-	-
Adjustments in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Net origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
	Company	
	2008	2007
	£ '000	£ '000
Current tax reconciliation		Restated
Surplus / (deficit) on ordinary activities before tax	<u>1,393</u>	<u>(2,687)</u>
Theoretical tax at UK corporation tax rate 30% (2007: 30%)	(418)	806
- rollover relief on disposal of housing properties	-	615
- capital allowances in excess of depreciation	42	(29)
- utilisation of tax losses	867	(650)
- other permanent timing differences	(526)	(229)
- other deferred tax movements	(19)	(16)
- chargeable gains	(60)	(720)
- accounting profit on disposal of housing properties	54	223
- adjustments to tax charge in respect of prior periods	-	-
- heldover capital gains	60	-
Current tax charge	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

Deferred tax has not been provided on revaluations of fixed assets. This tax would only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £10,650,000.

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax would become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £1,682,000.

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances and non-trading and capital losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £7,225,000. This asset would be recovered if suitable profits were to arise in future periods against which it could be offset.

Notes to the Financial Statements

12. Tangible fixed assets - properties

GROUP & COMPANY – Housing properties	Social housing properties	Non-social housing properties	Social housing properties under construction	Sub Total	Completed shared ownership housing properties	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 31 March 2007	121,053	6,582	3,092	130,727	2,640	1,760	135,127
Prior year adjustment (note 32)	(4,337)	-	-	(4,337)	(591)	(880)	(5,808)
At 1 April 2007 - restated	116,716	6,582	3,092	126,390	2,049	880	129,319
Additions	-	-	7,638	7,638	-	3,325	10,963
Works to existing properties	1,890	-	-	1,890	-	-	1,890
Schemes completed	2,043	-	(2,043)	-	1,319	(1,319)	-
Disposals	(264)	-	-	(264)	-	-	(264)
Valuation adjustment as at 31 March 2008	5,030	(584)	-	4,446	328	-	4,774
	<u>125,415</u>	<u>5,998</u>	<u>8,687</u>	<u>140,100</u>	<u>3,696</u>	<u>2,886</u>	<u>146,682</u>
Depreciation and impairment							
At 1 April 2007	-	33	-	33	-	-	33
Depreciation charged in year	1,374	34	-	1,408	47	-	1,455
Released on disposal	(8)	-	-	(8)	-	-	(8)
Valuation adjustment as at 31 March 2008	(1,366)	(67)	-	(1,433)	(47)	-	(1,480)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Social Housing and other Grant							
At 31 March 2007	-	-	2,245	2,245	-	226	2,471
Prior year adjustment (note 32)	2,245	-	(2,245)	-	226	(226)	-
At 1 April 2007 - restated	2,245	-	-	2,245	226	-	2,471
Additions	-	-	622	622	-	-	622
Schemes completed	260	-	(260)	-	-	-	-
Disposals	-	-	-	-	-	-	-
Valuation adjustment as at 31 March 2008	-	-	-	-	-	-	-
	<u>2,505</u>	<u>-</u>	<u>362</u>	<u>2,867</u>	<u>226</u>	<u>-</u>	<u>3,093</u>
Net book value							
At 31 March 2008	122,910	5,998	8,325	137,233	3,470	2,886	143,589
At 31 March 2007 (Restated)	114,471	6,549	3,092	124,112	1,823	880	126,815

Notes to the Financial Statements

12. Tangible fixed assets – properties (continued)

Non social housing properties represent the Company's portfolio of 65 shops located in and around Chelmsford.

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2008. The group's housing properties have been valued by professional external valuers, Savills (L&P) Ltd, Chartered Surveyors. 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:

Completed properties at valuation	£ '000
Chelmer Housing Partnership Limited	132,378
Housing properties under construction at cost net of SHG and other grants	
Chelmer Housing Partnership Limited	11,211
Consolidated	<u><u>143,589</u></u>

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

Discount rate	5.75%
Inflation rate	3.9% 2007/08 and 2.5% thereafter
Level of annual rent increase from 1 April 2007	RPI + 0.5%

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:

	Group & Company	
	2008	2007
	£ '000	£ '000
Historical cost	109,860	102,062
Depreciation and impairment	(4,902)	(3,818)
	<u><u>104,958</u></u>	<u><u>98,244</u></u>

Social housing grant

	Group & Company	
	2008	2007
	£ '000	£ '000
Total accumulated SHG receivable at 31 March:		
Capital grant	3,093	2,471
	<u><u>3,093</u></u>	<u><u>2,471</u></u>

Housing properties book value, net of depreciation and grants comprises:

	Group & Company	
	2008	2007
	£ '000	£ '000
Freehold land and buildings	99,206	94,417
Long leasehold land and buildings	5,752	3,827
	<u><u>104,958</u></u>	<u><u>98,244</u></u>

Notes to the Financial Statements

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	Group & Company	
	2008	2007
	£ '000	£ '000
Amounts capitalised	1,890	2,936
Amounts charged to income and expenditure account	9,123	14,383
Total	<u>11,013</u>	<u>17,319</u>

13. Fixed assets - other

GROUP AND COMPANY

	Office Building	Plant & machinery	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost						
At 1 April 2007	-	40	435	810	32	1,317
Additions	5,161	28	22	283	-	5,494
Disposals	-	-	-	-	-	-
At 31 March 2008	<u>5,161</u>	<u>68</u>	<u>457</u>	<u>1,093</u>	<u>32</u>	<u>6,811</u>
Depreciation						
At 1 April 2007	-	30	428	703	31	1,192
Charged in year	-	15	8	167	-	190
Released on disposal	-	-	-	-	-	-
At 31 March 2008	<u>-</u>	<u>45</u>	<u>436</u>	<u>870</u>	<u>31</u>	<u>1,382</u>
Net book value						
At 31 March 2008	<u>5,161</u>	<u>23</u>	<u>21</u>	<u>223</u>	<u>1</u>	<u>5,429</u>
At 31 March 2007	<u>-</u>	<u>10</u>	<u>7</u>	<u>107</u>	<u>1</u>	<u>125</u>

14. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of CHP Charitable Trust which was a subsidiary of the Company at the end of the year. The Company has the right to appoint members to the Board of the subsidiary and thereby exercises control over it. CHP Charitable Trust is an Industrial and Provident Society. Chelmer Housing Partnership Limited is the ultimate parent undertaking.

Notes to the Financial Statements

15. Properties for sale

	Group		Company	
	2008	2007	2008	2007
		Restated		Restated
	£ '000	£ '000	£ '000	£ '000
Properties under construction	2,906	880	2,906	880
Completed properties	474	817	474	817
	<u>3,380</u>	<u>1,697</u>	<u>3,380</u>	<u>1,697</u>

16. Debtors

	Group		Company	
	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges receivable	833	1,140	833	1,140
Less: Provision for bad and doubtful debts	(342)	(338)	(342)	(338)
	<u>491</u>	<u>802</u>	<u>491</u>	<u>802</u>
Social housing grant receivable	-	-	-	-
Other capital grants receivable	(21)	54	(21)	54
Revenue grants receivable	-	-	-	-
Other debtors	198	342	198	341
Prepayments and accrued income	384	198	384	198
	<u>1,052</u>	<u>1,396</u>	<u>1,052</u>	<u>1,395</u>
Due after more than one year				
Prepayments and accrued income	-	-	-	-
	<u>1,052</u>	<u>1,396</u>	<u>1,052</u>	<u>1,395</u>

17. Current asset investments

	Group		Company	
	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000
Money market deposits	694	162	692	41
	<u>694</u>	<u>162</u>	<u>692</u>	<u>41</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000
Trade creditors	63	22	63	22
Rent and service charges received in advance	378	247	378	247
Interest payable	471	472	471	472
Other taxation and social security	116	142	116	142
Other creditors	614	517	612	517
Accruals and deferred income	4,981	5,280	4,981	5,279
	<u>6,623</u>	<u>6,680</u>	<u>6,621</u>	<u>6,679</u>

Notes to the Financial Statements

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

	Group		Company	
	2008 £ '000	2007 £ '000	2008 £ '000	2007 £ '000
Bank loans repayable otherwise than by instalments, in five years or more	132,618	116,200	132,618	116,200
	<u>132,618</u>	<u>116,200</u>	<u>132,618</u>	<u>116,200</u>

20. Debt analysis

	Group & Company	
	2008 £ '000	2007 £ '000
Due within one year	-	-
	Group	
	2008 £ '000	2007 £ '000
Due after more than one year		
Bank Loans	132,618	116,200
	<u>132,618</u>	<u>116,200</u>
	Group	
	2008 £ '000	2007 £ '000
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	132,618	116,200
	<u>132,618</u>	<u>116,200</u>

The bank loans are secured by a floating charge over the assets of the Group and by specific charges on the Company's housing properties.

The bank and other loans are repaid by means of bullet repayments in the years 2022-2037.

At 31 March 2008 the Group had undrawn loan facilities of £117.4m (2007: £28.8m).

21. Called-up Non-equity share capital

The Company is limited by guarantee and the Board consists of five Resident Board Directors, five Independent Board Directors and two Local Authority Board Directors. At 31st March 2008 the company had 85 shareholding members (31st March 2007, 54).

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.

Notes to the Financial Statements

22. Reserves

Group	Revaluation Reserve	Restricted Reserve	Revenue Reserve	Total Reserves
	£ '000	£ '000	£ '000	£ '000
At 1 April 2007 as previously stated	36,908	910	(28,700)	9,118
Prior year adjustment (note 32)	(5,054)	-	943	(4,111)
	<u>31,854</u>	<u>910</u>	<u>(27,757)</u>	<u>5,007</u>
Surplus / (deficit) for the year	-	-	1,393	1,393
Surplus on revaluation of properties	6,254	-	-	6,254
Actuarial gain / (loss) relating to pension scheme	-	-	(2,296)	(2,296)
Transfer in respect of depreciation on revalued properties	(314)	-	314	-
Transfer in respect of realised gain on disposal of revalued properties	(73)	(154)	(27)	(254)
Transfers from revenue reserve	-	35	(35)	-
Transfers to revenue reserve	-	-	-	-
	<u>37,721</u>	<u>791</u>	<u>(28,408)</u>	<u>10,104</u>
Company	Revaluation Reserve	Restricted Reserve	Revenue Reserve	Total Reserves
	£ '000	£ '000	£ '000	£ '000
At 1 April 2007 as previously stated	36,908	910	(28,823)	8,995
Prior year adjustment (note 32)	(5,054)	-	943	(4,111)
As at 1 April 2007 restated	<u>31,854</u>	<u>910</u>	<u>(27,880)</u>	<u>4,884</u>
Surplus / (deficit) for the year	-	-	1,513	1,513
Surplus on revaluation of properties	6,254	-	-	6,254
Actuarial gain / (loss) relating to pension scheme	-	-	(2,296)	(2,296)
Transfer in respect of depreciation on revalued properties	(314)	-	314	-
Transfer in respect of realised gain on disposal of revalued properties	(73)	(154)	(25)	(252)
Transfers from revenue reserve	-	35	(35)	-
Transfers to revenue reserve	-	-	-	-
	<u>37,721</u>	<u>791</u>	<u>(28,409)</u>	<u>10,103</u>

Notes to the Financial Statements

23. Financial commitments

Capital expenditure commitments were as follows:	Group & Company	
	2008	2007
	£ '000	£ '000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	15,608	9,257
Expenditure authorised by the Board, but not contracted	-	-
	<u>15,608</u>	<u>9,257</u>

The above commitments will be financed primarily through the undrawn facilities provided by the Bank of Scotland and Barclays Bank.

Operating leases

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

	Leases Expiring	Group & Company	
		2008	2007
		£ '000	£ '000
(i) Land and buildings,	Within one year	35	-
	One to five years	30	448
	Beyond five years	-	-
		<u>65</u>	<u>448</u>
(ii) Office and computer equipment	Within one year	-	-
	One to five years	33	17
	Beyond five years	-	-
		<u>33</u>	<u>17</u>
(iii) Vehicle Leases	Within one year	176	183
	One to five years	170	183
	Beyond five years	-	-
		<u>346</u>	<u>366</u>

24. Contingent liabilities

There are no circumstances giving rise to contingent liabilities as at 31st March 2008.

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

Group	2008	2007
	£ '000	£ '000
		Restated
Operating surplus	7,468	2,643
Depreciation of tangible fixed assets	1,645	1,270
Impairment of tangible fixed assets	-	-
(Surplus) on disposal of tangible fixed assets	-	-
FRS17 adjustment	(92)	19
	<u>9,021</u>	<u>3,932</u>
Working capital movements		
Properties for sale	(1,683)	(1,697)
Stock	2	(5)
Debtors	344	(427)
Creditors	(127)	445
Net cash inflow from operating activities	<u>7,557</u>	<u>2,248</u>

Notes to the Financial Statements

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

	2008	2007
	£ '000	£ '000
(Decrease) / increase in cash	(131)	87
Cash flow from increase/(decrease) in liquid resources	532	(126)
Cash inflow from increase in debt and lease finance	(16,418)	(4,500)
Increase in net debt from cash flows	<u>(16,017)</u>	<u>(4,539)</u>
Change in market value of investments	-	-
Total changes in net debt for the period	<u>(16,017)</u>	<u>(4,539)</u>
Net debt at 1 April	(115,729)	(111,190)
Net debt at 31 March	<u><u>(131,746)</u></u>	<u><u>(115,729)</u></u>

27. Analysis of net debt

	01-Apr	Cash	31-Mar
	2007	Flow	2008
	£ '000	£ '000	£ '000
Cash at bank and in hand	308	(131)	177
Bank overdraft	-	-	-
Changes in cash	<u>308</u>	<u>(131)</u>	<u>177</u>
Current asset investment	<u>163</u>	<u>532</u>	<u>695</u>
Loans	(116,200)	(16,418)	(132,618)
Finance leases	-	-	-
Changes in debt	<u>(116,200)</u>	<u>(16,418)</u>	<u>(132,618)</u>
Changes in net debt	<u><u>(115,729)</u></u>	<u><u>(16,017)</u></u>	<u><u>(131,746)</u></u>

28. Financial assets and liabilities

The Board policy on derivatives and financial instruments is explained in the Operating and Financial Review (page 5).

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call and cash at bank. They are sterling denominated and the investment profile at 31st March 2008 was:

	2008	2007
	£ '000	£ '000
Floating rate	694	162
	<u>694</u>	<u>162</u>

The financial assets are floating rate, attracting interest at rates that vary with bank rates.

Notes to the Financial Statements

29. Financial assets and liabilities (continued)

Financial liabilities excluding trade creditors – interest rate risk profile.

The Group's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 March was:

	2008	2007
	£ '000	£ '000
Fixed Rate Swaps	91,000	91,000
Multi-Call Swaps	20,000	0
Floating rate	21,618	25,200
Total (note 20)	<u>132,618</u>	<u>116,200</u>

The fixed rate liabilities have a weighted average interest rate of 5.09% (2007: 5.09%) and the weighted average period for which it is fixed is 20 years (2007: 21 years).

The multi-call swaps are interest rate swaps which are cancellable on a quarterly basis at the behest of the counterparty; they have a weighted average rate of 4.32% and a weighted average period of 22 years (if not cancelled prior)

The floating rate liabilities comprise bank loans and overdrafts with interest at rates linked to LIBOR.

The debt maturity profile is shown in note 20.

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2008	2007
	£ '000	£ '000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	117,382	28,800
	<u>117,382</u>	<u>28,800</u>

Fair values of financial assets and liabilities

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
	£ '000	£ '000	£ '000	£ '000
Derivative financial instruments held to manage the interest rate profile				
Interest rate swaps	111,000	111,000	91,000	91,000
	<u>111,000</u>	<u>111,000</u>	<u>91,000</u>	<u>91,000</u>

The fair values of the interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values have been calculated by discounting cash flows at prevailing interest rates.

Gains and losses on hedges

As explained in the Operating and Financial Review (page 8), the Group uses interest rate swaps to manage its interest rate profile. Changes in the fair values of these instruments, used as hedges, are not recognised in the financial statements until the hedged position matures. There are no unrecognised gains or losses in respect of these instruments.

30. Related parties

There are five resident Board places of which two are currently filled. These directors are Eva Oakes (appointed 8/10/07) and Brian Shedley (appointed 8/10/07, now Vice Chairman). Their tenancies are on standard terms and they are not able to use their position to their advantage.

Two of CHP's Board Directors are local authority councillors : Trevor Miller and Richard Poulter (appointed 14/5/08).

Notes to the Financial Statements

31. Post Balance Sheet Event

The Company acquired new offices on 25th March 2008 which were fitted out and have been occupied since 25th April 2008. These premises are now the registered office for the Company.

On 23rd May 2008 a partnering contract with Savills was signed.

On 26th June 2008 the outcome from a management structure review was agreed by the Board.

32. Prior year adjustment

The prior year adjustment is broken down into two parts, the first reflects the change in accounting for shared ownership first tranche sales in accordance with SORP 2008 that the Board has adopted early, the second part relates to the prior year property valuation and has no impact on revenue reserves.

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

The effect of the change in accounting policy is an increase in the group and company turnover for the year ending 31 March 2007 of £4,343k, and increase in the cost of sales of £3,400k with a consequent decrease in deficit. The cumulative effect on reserves is an increase of £943k.

Group & Company	Cumulative prior year adjustment to 31 March 2006 £'000	Prior year adjustment for year to 31 March 2007 £'000	Cumulative prior year adjustment to 31 March 2007 £'000
Shared ownership first tranche sales			
Turnover - proceeds of first tranche sales	417	3,926	4,343
Cost of sales	(339)	(3,061)	(3,400)
Surplus	<u>78</u>	<u>865</u>	<u>943</u>
Revenue reserves			
Revenue reserves as at 31 March as previously stated	(26,413)		(28,700)
Add: surplus on first tranche shared ownership sales	78	865	943
Less: corporation tax			-
Revenue reserves at 31 March as restated	<u>(26,335)</u>		<u>(27,757)</u>
Association			
Shared ownership first tranche sales			
Turnover - proceeds of first tranche sales	417	3,926	4,343
Cost of sales	(339)	(3,061)	(3,400)
Surplus	<u>78</u>	<u>865</u>	<u>943</u>
Revenue reserves			
Revenue reserves as at 31 March as previously stated	(26,641)		(28,823)
Add: surplus on first tranche shared ownership sales	78	865	943
Less: corporation tax			-
Revenue reserves at 31 March as restated	<u>(26,563)</u>		<u>(27,880)</u>

Notes to the Financial Statements

32. Prior year adjustment (Continued)

The prior year adjustment to current asset balances for the group and company for the year ended 31 March 2007 is an increase of £1,697k, being the transfer of the shared ownership first tranche proportion from fixed assets to current assets.

The prior year valuation adjustment relates to misallocations of Social Housing Grant between completed properties and properties under construction and an overstatement of the valuation of non-social housing properties. The effect is a reduction of the revaluation reserve and fixed assets of £4,111k.

The impact of the prior year adjustments on housing property balances and revaluation reserves is shown below:

	Cumulative prior year adjustment to 31 March 2006	Prior year adjustment for year to 31 March 2007	Cumulative prior year adjustment to 31 March 2007
Group & Association			
Tangible fixed assets - properties			
Cost or valuation	£'000	£'000	£'000
At 31 March as previously stated	118,904		132,623
Less: first tranche amounts held as current assets	(277)	(1,420)	(1,697)
Less: over-statement of revaluation of non social properties		(6,582)	(6,582)
Plus: under-statement of revaluation due to unallocated grants on completed properties			
Social Housing		2,245	2,245
Shared Ownership		226	226
At 31 March as restated	118,627		126,815

The impact of the prior year adjustments on the revaluation reserve is shown below:

	Cumulative prior year adjustment to 31 March 2006	Prior year adjustment for year to 31 March 2007	Cumulative prior year adjustment to 31 March 2007
	£'000	£'000	£'000
Revaluation reserves			
At 31 March as previously stated	24,352		36,908
Less: accumulated first tranche surpluses from prior years transferred to Revenue reserves	(78)	(865)	(943)
Less: Over-statement of revaluation of non social properties		(6,582)	(6,582)
Plus: under-statement of revaluation due to unallocated grants on completed properties -			
Social Housing		2,245	2,245
Shared Ownership		226	226
At 31 March as restated	24,274	(4,976)	31,854