Registered Industrial and Provident Society No 21767R

Registered Housing Association No L2156

SPACE NEW LIVING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

SPACE NEW LIVING LIMITED
Year ended 31 March 2009

CONTENTS

BOARD MEMBERS, EXECUTIVE DIRCTORS, ADVISORS AND BANKERS

Board

Chairman	P. Roche
Vice Chairman	R. Kirkwood (resigned 4/6/09)
Other Members	D. Copley (appointed 4/6/09) G. Cresswell (appointed 4/6/09) K. Evans (appointed 4/6/09) M. Faulkner (resigned 4/6/09) P. Forsyth (resigned 10/9/08) R.F.G. Gardner OBE B. Grew (resigned 4/6/09) L. Hansen (appointed 4/6/09) A. Harris (appointed 4/6/09) M. Jepson (resigned 4/6/09) A. Lindsay D. Reid (resigned 4/6/09) S. Reuben (resigned 30/4/09) K. Rourke (resigned 4/6/09) A. Salmon (resigned 4/6/09) T. Snape (appointed 4/6/09)

Executive Officers

Managing Director	S. Reuben (to 31/5/09) G. Cresswell (from 4/6/09)
Company Secretary	P. Elvy

Registered office

Southern Gate
729 Princess Road
MANCHESTER
M20 2LT

Web site

www.greatplaces.org.uk

Registered Numbers

Housing Corporation No: L2156
Industrial and Provident Society
No: 21767R

External Auditors

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal Auditors

Mazars LLP
Merchant Exchange
Whitworth Street West
Manchester
M1 5WG

Bankers

The Royal Bank of Scotland plc
Salford Shopping Centre Branch
115 Mather Way
Salford
M6 5EH

REPORT OF THE BOARD

The board presents its report and the audited financial statements for the year ended 31 March 2009.

Principal activities

Space New Living Limited is a non-profit making charitable Association that provides affordable quality homes and housing services. The company trades as 'Space'.

Business review

The surplus for the year ended 31 March 2009 was £634,000 (2008 (as restated): £5,000). At the year-end the reserves amounted to £13.0 million (2008 (as restated): £12.3 million).

As a result of further stock rationalisation within the Great Places Housing Group a further 555 units owned by Space are now managed by other members of the Group. Within housing property additions are four care homes that Space purchased from its subsidiary Cube Lifestyle Limited at a cost of £975,000.

Housing property assets

Details of changes to the Association's housing property assets are shown in note 11 of the financial statements.

Trade creditors

The Association's trade creditors fall into three main categories – contractors engaged under formal contracts, utilities and others. It has a policy of paying contractors in accordance with contractual terms, utilities upon receipt of invoice and others by at least the end of the month following that of invoice.

Donations

During the years ended 31 March 2009 and 2008 the Association has made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post balance sheet events

It is proposed that Space New Living will consolidate its activities with those of two other Group members, Ashiana Housing Association and Manchester Methodist Housing Association. This will be effected by means of a transfer of engagement to form a single housing association. As part of the preparations for this, a number of changes to Space New Living's Board took place in June 2009.

Employees, diversity and equal opportunities

The strength of the Association lies in the quality and commitment of its employees and our ability to meet our objectives and commitments to tenants and the community in an efficient and effective manner depends on their contribution.

The Association uses a variety of methods to provide information on its objectives, progress and activities. We seek the views of employees on all matters of common interest and concern and upon the best methods by which to achieve our overall objectives. As part of this process, we have established a formal Staff Association, which meets at least quarterly. As part of the consultative and feedback process, the group undertakes an externally managed and confidential annual staff survey and feeds the results of this into its Human Resource plans.

We are committed to equal opportunities and in particular we support the employment of disabled people. The group has, and continually reappraises, a full and comprehensive policy of diversity and equal opportunities.

Health and safety

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

REPORT OF THE BOARD

Corporate Governance and the role of the Board

The rules governing the operations of the Association comprise the Model Rules 1998 formulated by the National Housing Federation (NHF). Space also complies with the NHF Code of Governance (revised and reissued May 2004).

Board members are drawn from a wide background and are selected to ensure they bring relevant experience, skills, diversity and understanding to the discussions and decision making process of the board.

The board meets formally at least 6 times a year for regular business including approval of the annual budget and business plan. Internal and external audit issues are addressed by the group audit committee, together with all matters affecting internal controls assurance.

Board members and executive directors

The directors of the Association comprise the members of the board together with the executive managing director. Details of the members of the board and managing director who served throughout the year and at the date of this report are set out on page 1.

Pensions

The executive director is a member of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. He participates in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees.

Other benefits

The executive director is entitled to other benefits such as the provision of a car and health insurance.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant involvement. We have two tenant board members on our board and clear reporting arrangements between tenant groups and the board.

Internal controls assurance

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

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

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing, and has been in place throughout the period commencing 1 April 2008 up to the date of approval of the report and financial statements. The Association is currently reviewing the way it undertakes the compilation of its risk register so that this process will be enhanced in future.

REPORT OF THE BOARD

Key elements of the control framework include:

- approved terms of reference for the Board and delegated authorities for its committees and the executive team;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- a Group Audit Committee with clear terms of reference and delegated authority;
- a three year Internal audit programme delivered by an external provider;
- ongoing management review of key internal processes;
- Undertaking benchmarking and external review of performance and processes;
- robust strategic and business planning processes, with detailed financial budgets and forecasts, subject to external validation;
- formal recruitment, retention, induction, training and development policies for all staff;
- established risk assessment and appraisal procedures for all major new initiatives and development schemes;
- a sophisticated approach to treasury management which is subject to external review each year;
- regular reporting to the appropriate Board, Committee or Management team, on key business objectives, targets and outcomes;
- Board approved policies for staff conduct, whistle-blowing, and for dealing with fraud and misappropriation, covering prevention, detection and reporting of fraud, and the recovery of assets;
- a fraud register that is maintained and is regularly reviewed by the audit committee;
- regular monitoring of loan covenants, cash flow requirements and future requirements for new loan facilities.

During the year there were a small number of unconnected minor frauds, both actual and attempted, all related to handling of cash. All of these instances were reported to the Group Audit Committee and also to the Housing Corporation/Tenant Services Authority where required. Cash handling procedures were reviewed and the revised procedures were then subjected to internal audit review.

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 has been assured by the audit committee that it has received a report regarding the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and that the committee has conducted its own review of the effectiveness of the systems currently in place.

The Board confirms that it is satisfied that there are ongoing processes in place to identify, evaluate, control and manage any significant risks faced by the organisation. These processes have been in place during the year under review, up to the date of the annual report and accounts and they are regularly reviewed by the Board.

REPORT 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.

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

In preparing these financial statements the board is required to:

- selected suitable accounting policies and apply them consistently;
- made 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 company and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The board is responsible for the maintenance and integrity of the corporate and financial information on the 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.

Going Concern

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

Operating and Financial Review

As the Association operates in the context of its membership of the wider Great Places Housing Group, it has not separately included an Operating and Financial Review (OFR). A group OFR has been included in the financial statements of its parent company Great Places Housing Group.

Public Benefit

The board confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in planning future activities.

REPORT OF THE BOARD

Annual general meeting

The annual general meeting will be held on Thursday 10th September 2009 at Southerngate, Manchester.

Disclosure of information to auditors

At the date of making this report each of the Association's board members, as set out on page1, confirm the following:

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

- each board member has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

External auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the board was approved on 30th July 2009 and signed on its behalf by:

Phil Elvy

Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPACE NEW LIVING LIMITED

We have audited the financial statements of Space New Living Limited for the year ended 31 March 2009 on pages 9 to 35 which have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with regulations made under section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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

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

Basis of opinion

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPACE NEW LIVING LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2009 and of the surplus for the year then ended; and

- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Manchester
10/8/09

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

	Note	2009 £'000	2008 Restated £'000
Turnover	3	**12,640**	11,723
Operating costs	3	**(9,895)**	(9,169)
Operating surplus	4	**2,745**	2,554
Surplus on sale of fixed assets – housing properties	5	**39**	163
Interest receivable	6	**166**	156
Interest payable and similar charges	7	**(2,316)**	(2,868)
Surplus on ordinary activities before taxation		**634**	5
Tax on surplus on ordinary activities	8	**-**	-
Surplus for the financial year	21	**634**	5

All amounts relate to continuing activities.

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

The notes on pages 12 to 35 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2009

	2009 £'000	2008 Restated £'000
Total recognised surplus relating to the year	634	5
Prior year adjustment (note 28)	(1,037)	-
Total recognised surpluses since the last report	(403)	5

RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS

For the year ended 31 March 2009

	2009 £'000	2008 Restated £'000
Opening funds as previously stated	13,388	12,998
Prior year adjustment (note 28)	(1,037)	(652)
Opening total funds as restated	12,351	12,346
Total recognised surpluses relating to the year	634	5
Closing total funds	12,985	12,351

BALANCE SHEET

At 31 March 2009

	Note	2009 £'000	2008 Restated £'000
Tangible fixed assets			
Housing properties at cost	11	**129,150**	126,129
Social housing grant	11	**(70,416)**	(69,529)
Depreciation	11	**(4,350)**	(3,627)
		54,384	52,973
Other tangible fixed assets	12	**85**	234
Total tangible fixed assets		**54,469**	53,207
Current assets			
Properties for sale	13	**1,042**	540
Debtors	14	**1,072**	3,430
Cash at bank and in hand		**2,778**	1,933
		4,892	5,903
Creditors: Amounts falling due within one year	15	**(4,234)**	(3,402)
Net current assets		**658**	2,501
Total assets less current liabilities		**55,127**	55,708
Creditors:			
Amounts falling due after more than one year	16	**42,142**	43,357
Capital and reserves			
Share capital	20	**-**	-
Revenue reserve	21	**12,985**	12,351
Association's funds		**12,985**	12,351
		55,127	55,708

The notes on pages 12 to 35 form part of these financial statements.

The financial statements were approved by the Board on 30th July 2009 and signed on its behalf by:

Board member   Board member   Secretary

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

1. Legal status

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

2. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and Statements 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 prior period adjustment reflects a change in the accounting policy for shared ownership first tranche sales under SORP 2008 and correction of a prior period error. The effect of the changes is shown in more detail in note 28.

Cash flow reporting

Under Financial Reporting Standard 1, the Association is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Turnover

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

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

Value added tax

The Association is registered for value added tax (VAT) as part of the Great Places Group VAT registration. A large proportion of its income, rents and service charges, is exempt for VAT purposes thus giving rise to a partial exemption calculation.

Interest payable

Interest is capitalised on borrowings to finance developments up to the date of practical completion 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.

Pensions

The Association participates in the Social Housing Pension Scheme (SHPS) and the Pensions Trust Growth Plan (PTGP). For both SHPS and the PTGP, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

2. Accounting policies (continued)

Taxation

The Association has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

Supporting People Income and Expenditure

This income includes charges for support services funded under Supporting People and is recognised as it falls due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are principally properties which are available for rent and are stated at cost less social housing and similar grant and depreciation. 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.

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.

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 including in housing properties at cost, less any provisions needed for depreciation or impairment.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Social housing grant

Social housing grant (SHG) is receivable from the HCA (formerly the Housing Corporation) and is utilised to reduce the capital cost of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

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

Other grants

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

2. Accounting policies (continued)

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 their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable at a rate of 1% - 2% per annum.

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

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

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

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and properties 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.

Other tangible fixed assets

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

Freehold and leasehold office property	1.67%
Leasehold office improvements	Over the term of the lease
Office equipment, fixtures and fittings	10% - 25%
Computer and similar equipment	25%
Motor vehicles	25%

Leased assets

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

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

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

2. Accounting policies (continued)

Property managed by agents

Where the Association carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account of the Association.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates to the Association.

In both cases, where revenue grants are claimed by the Association, these are included as income in the income and expenditure account, to the extent that they are passed to the agent.

Provisions

The Association only provides for contractual liabilities.

Forfeited/cancelled shares

Shares in the Association issued to members are not transferable. Upon a shareholder ceasing to be a member, his/her share is forfeited and the value is credited to the revenue reserve.

Loan issue costs

The cost of raising loan finance is initially capitalised and offset against the loan principal and is amortised to the income and expenditure account on a straight line basis over the term of the loan.

NOTES TO THE FINANCIAL STATEMENTS

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

	2009			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings	10,316	-	(9,470)	846
Other social housing activities				
Supporting people	68	-	-	68
Properties owned but managed by other organisations	1,680	-	-	1,680
First tranche shared ownership sales	266	(264)	-	2
Other	118	-	-	118
	2,132	(264)	-	1,868
Non-social housing activities				
Market rented	192	-	(161)	31
	192	-	(161)	31
	12,640	(264)	(9,631)	2,745

	2008 - Restated			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings	10,604	-	(8,735)	1,869
Other social housing activities				
Supporting people	51	-	-	51
Properties owned but managed by other organisations	429	-	-	429
First tranche shared ownership sales	299	(290)	-	9
Other	146	-	-	146
	925	(290)	-	635
Non-social housing activities				
Market rented	194	-	(144)	50
	194	-	(144)	50
	11,723	(290)	(8,879)	2,554

NOTES TO THE FINANCIAL STATEMENTS

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

Particulars of income and expenditure from social housing lettings

	2009	2008 Restated
General needs	**£'000**	**£'000**
Rent receivable net of identifiable service charges	9,800	10,062
Service charge income	516	542
Charges for support services	-	-
Turnover from social housing lettings	10,316	10,604
Management	(3,554)	(3,749)
Services	(1,379)	(789)
Routine maintenance	(2,920)	(2,495)
Planned maintenance	(37)	(196)
Major repairs expenditure	(838)	(686)
Bad debts	(17)	(130)
Depreciation of housing properties	(725)	(690)
Other costs	-	-
Operating costs on social housing lettings	(9,470)	(8,735)
Operating surplus on social housing lettings	846	1,869
Void losses	207	316

NOTES TO THE FINANCIAL STATEMENTS

4. Operating surplus

This is arrived at after charging:

	2009 £'000	2008 £'000
Depreciation of housing properties	725	704
Depreciation of other tangible fixed assets	149	92
Auditors' remuneration (including VAT)		
- for the audit of the financial statements	17	13

5. Surplus on sale of fixed assets – housing properties

	2009 £'000	2008 £'000
Disposal proceeds	3,461	688
Carrying value of fixed assets	(3,422)	(525)
	39	163

6. Interest receivable and other income

	2009 £'000	2008 £'000
Interest receivable and similar income	139	69
Loan interest recharged to group undertaking	27	87
	166	156

NOTES TO THE FINANCIAL STATEMENTS

7. Interest payable and similar charges

	2009 £'000	2008 £'000
Loans and bank overdrafts	563	2,599
Intra-group loans	1,776	502
	2,339	3,101
Interest payable capitalised on housing properties under construction	(23)	(233)
	2,316	2,868

Capitalised interest is charged at rates of 2.58% (receivable) and 4.54% (payable).

8. Tax on surplus on ordinary activities

The Association has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

9. Directors and members

The directors of the Association are the members of the board including the Managing Director and those officers who are directors and who report directly to the board or to the Managing Director. None of the board members received emoluments directly from Space.

Aggregate emoluments of £5,000 were paid to board members (who also served on the board of Great Places Housing Group Limited). Such amounts were paid by Great Places Housing Group Limited.

	2009 £'000	2008 £'000
Aggregate emoluments of the Association's directors including pension contributions	132	252
Emoluments of the highest paid director excluding pension contributions	117	128

The highest paid director resigned on 31st May 2009 and was replaced on 4th June 2009 by the current Managing Director. The current Managing Director is remunerated by Manchester Methodist Housing Association, a subsidiary of Great Places Housing Group, and consequently amounts are included in the notes to the financial statements of that Association.

The highest paid director was an ordinary member of the Social Housing Pension Scheme. The scheme is a final salary scheme funded by contributions from the employer and employee. A contribution of £15,385 (2008: £12,828) was paid by the employer in addition to those made by the highest paid director himself.

NOTES TO THE FINANCIAL STATEMENTS

10. Employees

Average monthly number of employees expressed in full time equivalents:

	2009 No.	2008 No.
Administration	2	2
Housing, support and care	45	52
	47	54

Employees costs:

	2009 £'000	2008 £'000
Wages and salaries	1,105	1,356
Social security costs	96	108
Other pension costs	96	102
	1,297	1,566

a) Social Housing Pension Scheme

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

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

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

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

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

NOTES TO THE FINANCIAL STATEMENTS

10. Employees (continued)

a) Social Housing Pension Scheme

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Association paid contributions at the rate of 12.3% to 14.05%. Member contributions varied between 4.7% and 8.45% depending on their age. As at the balance sheet date there were 23 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £96,000. The Association continues to offer membership of the Scheme to its employees.

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

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

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

	% p.a.
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

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

The valuation was carried out using the following demographic assumptions:

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

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

NOTES TO THE FINANCIAL STATEMENTS

10. Employees (continued)

a) Social Housing Pension Scheme

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

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

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

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

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

10. Employees (continued)

a) Social Housing Pension Scheme

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

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for the Association was £7,621,000.

b) Pension Trust's Growth Plan

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

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investments returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

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

NOTES TO THE FINANCIAL STATEMENTS

10. Employees (continued)

b) Pension Trust's Growth Plan

As at the balance sheet date there was 1 active member of the Plan employed by the Association. The Association continues to offer membership of the Plan to its employees. The Association does not pay any contributions into the Growth Plan and the members contributions rate is at their own choosing.

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

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	% p.a.
Investment return pre retirement	7.6
Investment return post retirement	
Actives/Deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

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

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

NOTES TO THE FINANCIAL STATEMENTS

10. Employees (continued)

b) Pension Trust's Growth Plan

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Pensions Regulator in due course.

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pension Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan at 30 September 2008. As of this date the estimated employer debt for the Association was £7,431.

NOTES TO THE FINANCIAL STATEMENTS

11. Tangible fixed assets – housing properties

Housing properties	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Total housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost						
At 1 April 2008 restated (note 28)	121,897	1,097	122,994	98	3,037	126,129
Additions	1,451	1	1,452	-	1,281	2,733
Works to existing properties	570	-	570	-	-	570
Schemes completed	98	-	98	(98)	-	-
Disposals	(198)	-	(198)	-	(84)	(282)
At 31 March 2009	123,818	1,098	124,916	-	4,234	129,150
Social housing grant						
At 1 April 2008	67,518	-	67,518	-	2,011	69,529
Additions	380	-	380	-	617	997
Disposals	(74)	-	(74)	-	(36)	(110)
At 31 March 2009	67,824	-	67,824	-	2,592	70,416
Depreciation and impairment						
At 1 April 2008	3,513	81	3,594	-	33	3,627
Charged in year	702	14	716	-	9	725
Released on disposal	(6)	-	(6)	-	4	(2)
At 31 March 2009	4,209	95	4,304	-	46	4,350
Net book value						
At 31 March 2009	51,785	1,003	52,788	-	1,596	54,384
At 31 March 2008 restated	50,866	1,016	51,882	98	993	52,973

NOTES TO THE FINANCIAL STATEMENTS

11. Tangible fixed assets – properties (continued)

Expenditure to works on existing properties

	2009 £'000	2008 £'000
Amounts capitalised	570	497
Amounts charged to income and expenditure account	838	686
	1,408	1,183

Social housing grant	2009 £'000	2008 £'000
Total accumulated SHG receivable at 31 March was		
Capital grants	70,416	69,529
Revenue grants	2,986	2,876
	73,402	72,405

Housing properties comprises:

	2009 £'000	2008 £'000
Freehold land and buildings	53,040	51,614
Long leasehold land and buildings	1,344	1,359
	54,384	52,973

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets - other

	Leasehold improvements	Furniture and equipment	Computers	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	351	168	88	14	621
Additions	-	-	-	-	-
Disposals	-	(168)	(88)	-	(256)
At 31 March 2009	351	-	-	14	365
Depreciation					
At 1 April 2008	249	77	61	-	387
Charged in year	27	91	27	4	149
Released on disposal	-	(168)	(88)	-	(256)
At 31 March 2009	276	-	-	4	280
Net book value					
At 31 March 2009	75	-	-	10	85
At 31 March 2008	102	91	27	14	234

NOTES TO THE FINANCIAL STATEMENTS

13. Properties for sale

	2009	2008 Restated
	£'000	£'000
Shared ownership:		
- Completed properties	-	-
- Properties under construction	-	-
Other properties for sale:		
- Completed properties	1,042	540
- Properties under construction	-	-
	1,042	540

14. Debtors

	2009 £'000	2008 £'000
Due within one year		
Rent and service charges receivable	947	926
Less: Provision for bad and doubtful debts	(283)	(280)
	664	646
Amounts owed by Group undertaking	66	2,098
Trade debtors	33	-
Other debtors	222	244
Prepayments and accrued income	87	56
	1,072	3,044
Due after more than one year		
Amounts owed by Group undertaking	-	386
	-	386
	1,072	3,430

NOTES TO THE FINANCIAL STATEMENTS

15. Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Debt (note 17)	161	152
Trade creditors	331	390
Rent and service charges received in advance	394	316
Amounts owed to group undertaking	1,641	355
Recycled capital grant fund (note 18)	241	410
Disposal proceeds fund (note 19)	154	122
Other taxation and social security	32	39
Other creditors	35	4
Accruals and deferred income	1,245	1,614
	4,234	3,402

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

	2009 £'000	2008 Restated £'000
Debt (note 17)	7,247	8,042
Loan due to parent undertaking	34,694	34,919
Recycled capital grant fund (note 18)	88	241
Disposal proceeds fund (note 19)	113	155
	42,142	43,357

17. Debt analysis

	2009 £'000	2008 Restated £'000
Loans are repayable as follows:		
Due within one year	161	152
Between one and two years	171	161
Between two and five years	573	542
After five years	6,762	7,416
	7,667	8,271
Less: Loan arrangement fees	(259)	(77)
	7,408	8,194

Loans are repayable at varying rates of interest in instalments and are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest ranging from 4.82% to 10.62%.

NOTES TO THE FINANCIAL STATEMENTS

18. Recycled capital grant fund

	2009 £'000	2008 £'000
At 1 April	651	1,009
Grants recycled	67	188
Interest accrued	21	53
Transfer to other group company	(215)	-
Development of properties	-	(457)
Major repairs and works to existing stock	(195)	-
Other	-	(142)
At 31 March	329	651

19. Disposal proceeds fund

	2009 £'000	2008 £'000
At 1 April	277	122
Grants recycled	104	143
Interest accrued	9	12
Transfer to other group members	(123)	-
At 31 March	267	277

20. Share capital

	2009 £	2008 £
Shares of £1 each fully paid		
At 1 April	36	41
Shares issued during the year	3	1
Shares surrendered during the year	(22)	(6)
At 31 March	17	36

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

21. Reserves

	Revenue Reserves £'000
At 1 April 2008 as previously stated	13,388
Prior year adjustment (note 28)	(1,037)
At 1 April 2008 as restated	12,351
Surplus for the year	634
At 31 March 2009	12,985

22. Financial commitments

	2009 £'000	2008 £'000
Capital expenditure commitments were as follows:		
Expenditure contracted for but not provided in the accounts	-	3,809
Expenditure authorised by the board, but not contracted	-	20,149
	-	23,958

23. Contingent liabilities

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

24. Related parties

The Space New Living Board had two tenant Board members who served during the year. Their tenancies were on normal commercial terms and they could not use their position to their advantage.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 (FRS 8) – Related Party Disclosures, not to disclose transactions with other group members.

NOTES TO THE FINANCIAL STATEMENTS

25. Accommodation in management and development

At 31st March, accommodation in management for each class of accommodation was as follows:

	2009 No.	2008 No.
General housing	2,065	2,308
Supported housing	-	82
Key worker housing	-	105
Low cost home ownership	-	95
Total owned	2,065	2,590
Accommodation managed for others	881	747
Total managed	2,946	3,337
Accommodation in development at the year end	98	66

26. Accommodation managed by others

At 31st March, accommodation owned by the Association but managed by others on its behalf was as follows:

	2009 No.	2008 No.
Housing accommodation	701	146

27. Ultimate controlling party

The ultimate controlling party of the Association is Great Places Housing Group Limited ('Great Places'), which is a company registered under the Industrial and Provident Societies Act 1965 and a registered social landlord under the Housing Act. The consolidated accounts of Great Places are publicly available; accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

NOTES TO THE FINANCIAL STATEMENTS

28. Prior year adjustment

The prior year adjustment reflects the change in accounting for shared ownership first tranche sales in accordance with SORP 2008. The previous SORP recommended that first tranche sale proceeds should be credited against shared ownership housing properties classified as fixed assets.

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

The effect of the change in accounting policy is an increase in the Association's turnover for the year ending 31 March 2008 of £299,000, and an increase in the cost of sales of £290,000 with a consequent increase in surplus before and after tax of £9,000. The cumulative affect on reserves of the change in policy is £643,000.

A prior year adjustment was also made to amortise loan arrangement fees on a facility repaid in the year ended 31 March 2008. The impact of this was to increase the loan creditor and decrease reserves by £394,000.

The cumulative effect on reserves of the prior year adjustments is a decrease of £1,037,000.

	Cumulative prior year adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year adjustment to 31 March 2008 £'000
Shared ownership first tranche sales			
Turnover – proceeds of first tranche sales	3,194	299	3,493
Cost of Sales	(3,846)	(290)	(4,136)
Surplus	(652)	9	(643)
Revenue reserves			
Revenue reserves as at 31 March as previously stated	12,998		13,388
Surplus/(Deficit) on first tranche shared ownership sales	(652)	9	(643)
Less: amortisation of loan arrangement fees	-	(394)	(394)
Revenue reserves at 31 March as restated	12,346		12,351

NOTES TO THE FINANCIAL STATEMENTS

28. Prior year adjustment (continued)

The impact of the two prior year adjustments on individual elements within the balance sheet is shown below:

	Cumulative prior year adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year adjustment to 31 March 2008 £'000
Tangible fixed assets - properties			
Cost			
At 31 March as previously stated	126,958		126,818
Add: accumulated first tranche surpluses from prior years	(697)	8	(689)
Less: First tranche amounts held as current assets	(289)	289	-
At 31 March as restated	125,972		126,129
Depreciation			
At 31 March as previously stated	2,981		3,673
Less: depreciation adjustment	(45)	(1)	(46)
	2,936		3,627
Creditors: amounts falling due after more than one year			
Debt due after one year at 31 March as previously stated			(7,648)
Amortisation of arrangement fees			(394)
At 31 March as restated			(8,042)