

**Arcon Housing Association Limited**

**Consolidated Financial Statements for the Year Ended 31 March 2009**

**Arcon Housing Association Limited**

**Board Report  
For the Year Ended 31 March 2009**

<b>Chairman:</b>	Mr J Connolly
<b>Secretary:</b>	Mr P Schilizzi
<b>Board Members:</b>	Mrs H Bullock Mr J P Connolly Mr A Murray Mr W Godfrey Mr P O'Hare (resigned 5 December 2008) Mr M Feely Mrs C Ogden Mr T Brown Ms D Blake Mrs L Simmons Mr R Baker (appointed 5 December 2008) Mrs H Whittingham (appointed 5 December 2008) Mr B Nield (appointed 5 December 2008)
<b>Officers</b>	
<b>Chief Executive:</b>	Mr P Schilizzi
<b>Finance Director:</b>	Mrs A Southern
<b>Property Director:</b>	Mr J Bradley
<b>Housing Director:</b>	Mr D Lovelady
<b>Auditors:</b>	Beever and Struthers Chartered Accountants St Georges House 215/219 Chester Rd Manchester M15 4JE
<b>Bankers:</b>	Bank of Ireland Level 10, 1 Marsden Street Manchester. M2 1HW  Lloyds TSB England & Wales Plc Stockport and Oldham
<b>Solicitors:</b>	Sedgwick Phelan & Partners Royal London House 1 <sup>st</sup> Floor 56-58 Long St Middleton Manchester M24 6UQ
<b>Registered Office:</b>	12 Lloyd Street Manchester M2 5ND

**Board Report  
For the Year Ended 31 March 2009**

**Financial Statements**

The Board presents their report and the audited financial statements for the year ended 31 March 2009.

**Activities**

The principal activity of the Group continued to be the provision of social housing for rent.

**Results**

The results for the year are set out in the financial statements on pages 6 to 34.

**Review of business**

The Arcon Housing Association Group is committed to maintaining its property stock to the highest possible standard and also to use reserves, grant and private finance to develop new units of mixed tenure housing in the future. To facilitate a development programme the Association's Asset Management Strategy allows for the condition and location of its property stock to be periodically assessed to establish whether a voluntary or open market sale of a limited number of selected properties would be advantageous in terms of reducing long term liabilities, promoting mixed tenure and generating sales proceeds. The proceeds of these sales are primarily used for new developments and so underpin future viability by generating organic growth and replacement of old properties with new. In the year £516,000 was generated from 8 open market and voluntary sales in the Group.

To further re-enforce its commitment to develop new properties, the Group's existing loan facility with Lloyds TSB has been enhanced by a further facility for £4 million which will support over the next two years the creation of a mixed portfolio of properties including social housing, shared ownership and specialist housing. The Association continues to develop a mix of rented and shared ownership accommodation with properties being completed during the year at Kittybert Avenue, Tymbark House, Victoria Avenue and The Paddock. A number of other development schemes are also being considered.

Arcon has continued to explore opportunities for business expansion and efficiencies through partnering and joint venture arrangements with other organisations but remains firmly committed to retaining corporate independence as the best way of fulfilling all of its strategic objectives. As part of this process the Association is a member of the Northern Lights Group (NLG) through which we have been successful in obtaining Social Housing Grant for future development work. Through NLG and also the NHF North West Smaller Housing Associations Group, Arcon will also investigate other opportunities to deliver an enhanced, efficient service to its tenants.

Arcon has continued its commitment to delivering a quality service to its tenants with satisfaction levels of 91% achieved in the STATUS survey of all tenants in Autumn 2007. Arcon has responded to feedback received from tenants to further improve the quality of service and promote tenant involvement in activities across the Association. This commitment is reinforced by Arcon's drive to improve efficiency and value for money across the organisation.

The Association complies with the National Housing Federation's Excellence in Governance Code for members with the exception that it does not set an overall maximum term of office of nine years for Board members. The Association also complies with the National Housing Federation's Excellence in Service delivery and accountability Code for members.

**Financial risk management objectives and policies**

The Group uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board of Management receive regular reports on these figures in order to manage the Group's requirements.

**Fixed Assets**

The movement in fixed assets is set out in Note 8 and 9 of the financial statements.

**Board Report  
For the Year Ended 31 March 2009**

**Payments to Creditors**

The Association intends to pay all creditors for goods and services supplied within agreed terms and conditions between both parties.

**Political and Charitable Donations**

During the year the Group made no political contributions and any charitable contributions were made within the Group's normal activities.

**Directors**

The elected directors of the Group who served during the year are as stated on page 1. Each elected Board Member holds one fully paid share of £1.

The directors of the Group are defined as the Board of Management.

**Auditors**

In accordance with the Industrial and Provident Societies Acts 1965 to 1978 a resolution to re-appoint the Association's auditors Messrs. Beever and Struthers will be proposed at the Annual General Meeting.

**Statement of the Board's Responsibilities in Respect of the Accounts**

The Industrial and Provident Societies Acts require the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the surplus of the Group and Association for that period. In preparing these accounts the Board are required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed.
4. Prepare the accounts on the going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and to enable it to ensure that the accounts comply with the Industrial and Provident Societies Acts and Housing Acts. It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board is aware:-

1. There is no relevant audit information of which the company's auditor is unaware, and;
2. The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Statement on the Association's System of Internal Control**

**Full Compliance**

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group and Association's assets and interests.

**Board Report**  
**For the Year Ended 31 March 2009**

**Full Compliance (Continued)**

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with the Turnbull principles as incorporated in the Housing Corporation circular 07/07: *Internal Controls Assurance*.

The process adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:


- *Identification and evaluation of key risks*  
Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group and Association's activities. This process is co-ordinated through a regular reporting framework by the Audit & Risk Management Committee. The senior management team regularly considers reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.
- *Monitoring and corrective action*  
A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.
- *Control environment and control procedures*  
The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted the code of governance *Competence and Accountability 2004*. This sets out the Group and Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention.
- *Information and financial reporting systems*  
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by internal audit who are responsible for providing independent assurance to the board via its Audit and Risk Management committee. The audit committee considers internal control and risks at each of its meetings during the year.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group and Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

By order of the Board

  
Chairman:

Date: 25 June 2009

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

## ARCON HOUSING ASSOCIATION

We have audited the group and parent company financial statements of Arcon Housing Association Limited for the year ended 31 March 2009, which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective Responsibilities of the Board and Auditors

The Board's responsibilities for preparing the Annual Report and the 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 the Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report is made solely to the Association's members, as a body, in accordance with 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.

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 & 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 the Association has not kept proper accounting records, if the Association has not maintained a satisfactory control over its transactions, if the financial statements are not in agreement with the books of account, and if we have not received all the information and explanations which are necessary for the purpose of our audit.

We read information contained in the Board Report, and consider whether it is consistent with the audited financial statements. 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 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 company's circumstances, consistently applied and adequately disclosed.

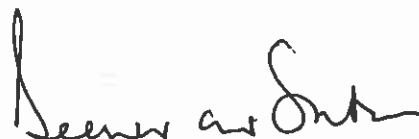
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the 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 the group and parent company's affairs as at 31 March 2009 and of the group and parent company's deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 of the Housing Act 1996 (as amended by the Housing Act 2004), and the Accounting Requirements for Registered Social Landlords General Determination 2006.

**Beever and Struthers**  
Chartered Accountants  
215-217 Chester Road  
Manchester  
M15 4JE



Date: 25 June 2009

**Arcon Housing Association Limited**

**Group Income and Expenditure Account  
For the Year Ended 31 March 2009**

	Notes	2009 £	2008 Restated £
Turnover	2	3,813,866	3,714,884
Operating costs	2	<u>(3,776,350)</u>	<u>(3,572,205)</u>
<b>Operating surplus</b>		<b>37,516</b>	<b>142,679</b>
Surplus on sale of housing properties	23	208,765	486,388
Interest receivable	4	47,907	95,560
Interest payable and similar charges	5	<u>(387,434)</u>	<u>(375,296)</u>
<b>(Deficit)/surplus on ordinary activities for the year</b>	6	<b>(93,246)</b>	<b>349,331</b>
Tax on (deficit)/surplus on ordinary activities	7	<u>-</u>	<u>1,436</u>
<b>(Deficit)/surplus on ordinary activities after tax</b>		<b>(93,246)</b>	<b>350,767</b>
Transfer to designated reserves	16	-	-
Transfer from designated reserves	16	<u>17,623</u>	<u>61,636</u>
<b>(Deficit)/surplus for the year after transfers</b>	16	<b>(75,623)</b>	<b>412,403</b>
Revenue reserves brought forward	16	<u>7,150,108</u>	<u>6,737,705</u>
<b>Revenue reserves carried forward</b>	16	<b><u>7,074,485</u></b>	<b><u>7,150,108</u></b>

All amounts relate to continuing activities. The above surplus is the historical cost surplus.

**Group Statement of Total Recognised Surpluses and Deficits  
For the Year Ended 31 March 2009**

	2009 £	2008 £
(Deficit)/surplus for the year	(93,246)	350,767
Prior year adjustment	<u>136,758</u>	<u>-</u>
<b>Total recognised surplus for the year</b>	<b><u>43,512</u></b>	<b><u>350,767</u></b>

Arcon Housing Association Limited

Company Income and Expenditure Account  
For the Year Ended 31 March 2009

	Notes	2009 £	2008 Restated £
Turnover	2	3,603,870	3,563,223
Operating costs	2	<u>(3,664,263)</u>	<u>(3,493,032)</u>
<b>Operating (deficit)/surplus</b>		<b>(60,393)</b>	<b>70,191</b>
Surplus on sale of housing properties	23	219,097	428,166
Interest receivable	4	21,463	83,834
Interest payable and similar charges	5	(272,108)	(279,191)
Covenanted Income from Subsidiary		<u>-</u>	<u>16,699</u>
<b>(Deficit)/surplus on ordinary activities for the year</b>	6	<b>(91,941)</b>	<b>319,699</b>
Tax on surplus on ordinary activities	7	<u>-</u>	<u>1,126</u>
<b>(Deficit)/surplus on ordinary activities after tax</b>		<b>(91,941)</b>	<b>320,825</b>
Transfer to designated reserves	16	-	-
Transfer from designated reserves	16	<u>-</u>	<u>-</u>
<b>(Deficit)/surplus for the year after transfers</b>	16	<b>(91,941)</b>	<b>320,825</b>
Revenue reserves brought forward	16	<u>5,637,216</u>	<u>5,316,391</u>
<b>Revenue reserves carried forward</b>	16	<b><u>5,545,275</u></b>	<b><u>5,637,216</u></b>

All amounts relate to continuing activities. The above deficit is the historical cost deficit.

Company Statement of Total Recognised Surpluses and Deficits  
For the Year Ended 31 March 2009

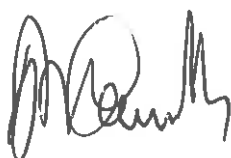
	2009 £	2008 £
(Deficit)/surplus for the year	(91,941)	320,825
Prior year adjustment	<u>136,758</u>	<u>-</u>
Total recognised surplus for the year	<u><b>44,817</b></u>	<u><b>320,825</b></u>

Arcon Housing Association Limited

Group Balance Sheet  
As at 31 March 2009

	Notes	2009 £	2008 Restated £
<b>Fixed Assets</b>			
Tangible assets	8	32,770,185	31,105,778
Less: Social Housing Grants		<u>(19,400,785)</u>	<u>(19,255,280)</u>
		13,369,400	11,850,498
Other Fixed Assets	9	<u>254,661</u>	<u>266,653</u>
		13,624,061	12,117,151
<b>Current Assets</b>			
Debtors	10	509,221	445,651
Housing Properties for Sale		506,880	174,835
Investments	11	1,462,780	1,025,824
Cash at bank and short term deposits	11	<u>55,893</u>	<u>1,192,796</u>
		2,534,774	2,839,106
<b>Less: Creditors</b>			
Amounts falling due within one year	12	<u>(894,971)</u>	<u>(800,373)</u>
<b>Net Current Assets</b>		<u>1,639,803</u>	<u>2,038,733</u>
<b>Total Assets less Current Liabilities</b>		<u>15,263,864</u>	<u>14,155,884</u>
<b>Creditors</b>			
Amounts falling due after more than one year	13	7,448,026	6,246,677
Provisions and liabilities		<u>-</u>	<u>-</u>
		7,448,026	6,246,977
<b>Capital and reserves</b>			
Called-up share capital	15	31	29
Revaluation reserve	16	741,446	759,069
Revenue reserves	16	<u>7,074,361</u>	<u>7,150,108</u>
		15,263,864	14,155,883

The financial statements on pages 6 to 34 were approved by the Board on 25 June 2009 and were signed on its behalf by:

Board Member: 

Board Member: 

Secretary: 

Arcon Housing Association Limited

Company Balance Sheet  
As at 31 March 2009

	Notes	2009 £	2008 £
<b>Fixed Assets</b>			
Tangible assets	8	29,062,277	27,944,711
Less: Social Housing Grants		<u>(19,400,785)</u>	<u>(19,225,280)</u>
		9,661,492	8,689,431
Other Fixed Assets	9	<u>254,661</u>	<u>266,653</u>
		9,916,153	8,956,084
<b>Current Assets</b>			
Debtors	10	355,893	465,802
Housing Properties for Sale		423,090	174,835
Investments	11	1,162,798	1,025,824
Cash at bank and short term deposits	11	<u>14,945</u>	<u>16,655</u>
		1,956,726	1,683,116
<b>Less: Creditors</b>			
Amounts falling due within one year	12	<u>(724,949)</u>	<u>(639,894)</u>
<b>Net Current Assets</b>		<u>1,231,777</u>	<u>1,043,222</u>
<b>Total Assets less Current Liabilities</b>		<u>11,147,930</u>	<u>9,999,306</u>
<b>Creditors</b>			
Amounts falling due after more than one year	14	<u>5,602,624</u>	4,362,062
Provisions and liabilities		<u>-</u>	<u>-</u>
		5,602,624	4,362,062
<b>Capital and reserves</b>			
Called-up share capital	15	30	28
Revenue reserves	16	<u>5,545,276</u>	<u>5,637,216</u>
		11,147,930	9,999,306

The financial statements on pages 6 to 34 were approved by the Board on 25 June 2009 and were signed on its behalf by:

Board Member:

Board Member:

Secretary:

**Arcon Housing Association Limited**

**Group Cash Flow Statement  
For the Year Ended 31 March 2009**

	Notes	2009 £	2008 Restated £
<b>Net cash flow from operating activities</b>		<b>(186,239)</b>	<b>104,122</b>
<b>Returns on investments and servicing of finance</b>	21	<b>(337,782)</b>	<b>(359,110)</b>
Taxation		-	(93,254)
<b>Capital Expenditure</b>			
Acquisition and construction of housing properties		(2,088,599)	(1,820,900)
Social Housing Grant received		451,000	247,540
Purchase of other fixed assets		(60,720)	(86,484)
Sale of housing properties/other assets		<u>120,627</u>	<u>631,589</u>
Net cash outflow on capital expenditure		(1,577,692)	(1,028,255)
<b>Net cash flow before management of liquid resources and financing</b>		<b>(2,101,713)</b>	<b>(1,376,497)</b>
<b>Management of liquid resources</b>	21	<b>(436,956)</b>	<b>817,004</b>
<b>Financing</b>	21	<b><u>1,401,767</u></b>	<b><u>1,274,146</u></b>
<b>(Decrease)/increase in cash</b>	21	<b><u>(1,136,902)</u></b>	<b><u>781,617</u></b>
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>			
Operating surplus		37,516	142,679
Depreciation charges		190,032	167,507
(Surplus) on sale of tangible fixed assets		-	(396)
Change in debtors		(379,334)	(298,580)
Change in creditors		<u>(34,453)</u>	<u>92,912</u>
Net cash flow from operating activities		<u>(186,239)</u>	<u>104,122</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(Decrease) in the period		(1,136,902)	781,617
Cash used to increase liquid resources		436,956	(817,004)
Change in loans		<u>(1,401,767)</u>	<u>(1,274,146)</u>
Change in net debt		<u>(2,101,713)</u>	<u>(1,309,533)</u>
Net debt at 1 April 2008		<u>(3,867,395)</u>	<u>(2,557,893)</u>
Net debt at 31 March 2009		<u>(5,969,105)</u>	<u>(3,867,395)</u>

**1. Principal Accounting Policies**

The Association is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Tenant Services Authority as a Registered Provider (RP) as defined by the Housing and Regeneration Act 2006.

**Basis of Accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice. The accounts comply with the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2000 and the Statement of Recommended Practice published by the National Housing Federation updated in 2005 and 2008. The accounts are prepared on the historical cost basis of accounting.

**Basis of Consolidation**

Profits or losses on any intra-group transactions have been eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation have been eliminated. The accounts of the following companies have been included within the consolidation:

Arcon Housing Association Limited  
Arcon Developments Limited

**Turnover**

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, Shared Ownership first tranche sales and other income.

**Fixed Assets and Depreciation**

Tangible fixed assets, except freehold land, are stated at cost, less accumulated depreciation which is charged at the following rates over the expected economic useful life of the asset:-

Office furniture and equipment	15% straight line
Motor vehicles	25% on written down value
Computer equipment	33 1/3% straight line
Leasehold improvements	10% straight line

Freehold land is not depreciated.

The useful economic lives of all tangible fixed assets are reviewed annually.

**Housing Properties**

As required by FRS 15, the RP has reviewed the economic useful lives of its housing properties and now depreciates the property costs/valuation, less grants, freehold land and residual value at the following rates: -

Housing properties – New Build Social Housing	125 years
Housing properties – New Build Market Rent	125 years from original completion date
Housing properties – Rehabilitations Social Housing	40-60 years

All properties are reviewed for impairment annually.

Housing properties in the course of construction are stated at cost and not depreciated.

Housing properties are transferred to completed properties when they are ready for letting.

When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Shared ownership properties are included in housing properties at cost, net of the first tranche sales proceeds and any provision needed for depreciation or impairment.

Properties let at full market rent and held for their investment value are included at open market valuation.

1. **Principal Accounting Policies (Continued)**

**Social Housing and Other Grants**

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social housing grant received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

Social housing grant can be recycled by the RP under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

The net social housing grant received and not spent is included in current liabilities, taking into account all properties under construction.

In certain circumstances, SHG may be repayable, and in that event, is a subordinated unsecured repayable debt.

**Capitalisation of Interest and Administration Costs**

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

**Works to Existing Housing Properties**

The RP capitalises expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

**Major Repairs**

The RP charges the cost of major repairs direct to the Income and Expenditure account during the year in which works occur. In years when the average annual major repairs spend, as determined by the stock condition survey, is not exceeded, a provision is made towards the cost in future years.

**Pension Costs**

The Association operates a defined contribution pension scheme for which costs are charged to the income and expenditure account on an accruals basis.

**Provisions**

The Association only provides for contractual liabilities.

**Deferred Tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

**Recycling of Capital Grant**

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund, which appears as a creditor until spent.

Notes to the Financial Statements  
For the Year Ended 31 March 2009

1. Principal Accounting Policies (Continued)

**Loan finance issue costs**

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs, are recognised in the income and expenditure account in the year in which the redemption took place.

**Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets on the company after deducting all of its liabilities.

**Revaluation reserve**

The revaluation reserve arising on consolidation of Arcon Developments Limited is due to the market rented properties being included at valuation. The reserve will be released as the properties are depreciated over their economic useful lives, based on 125 years from original completion date.

2. Turnover, Operating Costs and Operating Surplus

**Group Business Activity**

	Turnover	2009 Operating Costs	Operating Surplus/ (Deficit)
	£	£	£
Social Housing Lettings	3,235,845	3,342,512	(106,667)
Shared Ownership Activities	23,335	34,539	(11,204)
First tranche Shared Ownership sales	229,832	216,730	13,102
Specialist Housing Activities	155,555	112,376	43,179
Market Rents	<u>169,299</u>	<u>70,193</u>	<u>99,106</u>
<b>Total</b>	<b>3,813,866</b>	<b>3,776,350</b>	<b>37,516</b>
	=====	=====	=====
	Turnover	2008 (Restated) Operating Costs	Operating Surplus/ (Deficit)
	£	£	£
Social Housing Lettings	3,097,443	3,151,911	(54,468)
Shared Ownership Activities	12,878	12,599	279
First tranche Shared Ownership sales	274,874	223,057	51,817
Specialist Housing Activities	149,880	105,465	44,415
Market Rents	<u>179,809</u>	<u>79,173</u>	<u>100,636</u>
<b>Total</b>	<b><u>3,714,884</u></b>	<b><u>3,572,205</u></b>	<b><u>142,679</u></b>

2. Turnover, Operating Costs and Operating Surplus (Continued)

Company Business Activity

	2009		
	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Housing Lettings	3,264,438	3,342,513	(78,075)
Shared Ownership Activities	23,090	34,539	(11,449)
First tranche Shared Ownership sales	160,787	174,835	(14,048)
Specialist Housing Activities	155,555	112,376	43,179
	-----	-----	-----
<b>Total</b>	<b><u>3,603,870</u></b>	<b><u>3,664,263</u></b>	<b><u>(60,393)</u></b>

	2008 (Restated)		
	Turnover £	Operating Costs £	Operating (Deficit)/ Surplus £
Social Housing Lettings	3,125,591	3,151,911	(26,320)
Shared Ownership Activities	12,878	12,599	279
First tranche Shared Ownership sales	274,874	223,057	51,817
Specialist Housing Activities	149,880	105,465	44,415
Market Rents	-	-	-
	-----	-----	-----
<b>Total</b>	<b><u>3,563,223</u></b>	<b><u>3,493,032</u></b>	<b><u>70,191</u></b>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

## 3 Income and Expenditure from Business Activities

Group	Social Housing	Shared Ownership	Specialist Housing	Market Rent	Total 2009	Total 2008 (Restated)
	£	£	£	£	£	£
<b>Income</b>						
Net Rents receivable	2,690,898	21,231	155,555	169,299	3,036,983	2,927,095
Net Service Charge Receivable	201,335	2,104	-	-	203,439	184,611
Shared Ownership 1 <sup>st</sup> tranche sales	-	229,832	-	-	229,832	274,874
Recycled Capital Grant Funded	305,000	-	-	-	305,000	295,317
Management Agent Income	16,519	-	-	-	16,519	12,249
Other Income	<u>22,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,093</u>	<u>20,738</u>
<b>Total Income</b>	<b><u>3,235,845</u></b>	<b><u>253,167</u></b>	<b><u>155,555</u></b>	<b><u>169,299</u></b>	<b><u>3,813,866</u></b>	<b><u>3,714,884</u></b>
<b>Expenditure</b>						
Housing management	798,626	6,521	51,200	266	856,613	794,854
Routine maintenance	672,296	-	16,502	35,054	723,852	653,852
Planned maintenance	154,252	-	8,622	3,830	166,704	213,325
Major repairs expenditure Services	1,347,145	-	-	5,575	1,352,720	1,259,014
	188,639	1,304	-	1,324	191,267	197,589
Business development & admin	90,437	3,913	19,565	4,419	118,334	111,452
Rent losses from bad debts	21,826	-	-	363	22,189	14,654
Depreciation of housing properties	69,291	12,180	16,487	19,362	117,320	104,408
Impairment Provision	-	10,621	-	-	10,621	-
Shared Ownership 1 <sup>st</sup> tranche Sales	<u>-</u>	<u>216,730</u>	<u>-</u>	<u>-</u>	<u>216,730</u>	<u>223,057</u>
<b>Total Expenditure</b>	<b><u>3,342,512</u></b>	<b><u>251,269</u></b>	<b><u>112,376</u></b>	<b><u>70,193</u></b>	<b><u>3,776,350</u></b>	<b><u>3,572,205</u></b>
<b>Operating Surplus/(Deficit)</b>	<b><u>(106,667)</u></b>	<b><u>1,898</u></b>	<b><u>43,179</u></b>	<b><u>99,106</u></b>	<b><u>37,516</u></b>	<b><u>142,679</u></b>
Rent losses from voids	<u>41,736</u>	<u>16,548</u>	<u>-</u>	<u>17,252</u>	<u>75,536</u>	<u>40,605</u>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

## 3 Income and Expenditure from Business Activities (Continued)

Company	Social Housing	Shared Ownership	Specialist Housing	Total 2009	Total 2008 (Restated)
	£	£	£	£	£
<b>Income</b>					
Net Rent Receivable	2,690,898	21,109	155,555	2,867,562	2,744,466
Net Service Charge Receivable	201,335	1,981	-	203,316	184,611
Shared Ownership 1 <sup>st</sup> tranche Sales	-	160,787	-	160,787	274,874
Recycled Capital/Grant Fund	305,000	-	-	305,000	295,317
Management Agent Income	45,112	-	-	45,112	43,217
Other Income	<u>22,093</u>	<u>-</u>	<u>-</u>	<u>22,093</u>	<u>20,738</u>
<b>Total Income</b>	<u>3,264,438</u>	<u>183,877</u>	<u>155,555</u>	<u>3,603,870</u>	<u>3,563,223</u>
<b>Expenditure</b>					
Housing management	798,627	6,521	51,200	856,348	792,946
Routine maintenance	672,296	-	16,502	688,798	619,656
Planned maintenance	154,252	-	8,622	162,874	206,065
Major repairs expenditure Services	1,347,145	-	-	1,347,145	1,250,548
	188,639	1,304	-	189,943	196,258
Business development & admin	90,437	3,913	19,565	113,915	106,842
Rent losses from bad debts	21,826	-	-	21,826	13,140
Depreciation of housing properties	69,291	12,180	16,487	97,958	84,520
Impairment Provision	-	10,621	-	10,621	-
Shared Ownership 1 <sup>st</sup> tranche sales	<u>-</u>	<u>174,835</u>	<u>-</u>	<u>174,835</u>	<u>223,057</u>
<b>Total Expenditure</b>	<u>3,342,513</u>	<u>209,374</u>	<u>112,376</u>	<u>3,664,263</u>	<u>3,493,032</u>
<b>Operating Surplus/(Deficit)</b>	<u>(78,075)</u>	<u>(25,497)</u>	<u>43,179</u>	<u>(60,393)</u>	<u>70,191</u>
Rent losses from voids	<u>41,736</u>	<u>16,548</u>	<u>-</u>	<u>58,284</u>	<u>32,388</u>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

4. Interest Receivable

	2009 £	2008 £
<b>Group</b>		
Gross interest receivable	62,241	115,954
Less: notional RCGF interest	<u>(14,334)</u>	<u>(20,393)</u>
	<u>47,907</u>	<u>95,561</u>

	2008 £	2008 £
<b>Company</b>		
Gross Interest Receivable	35,797	104,227
Less: Notional RCGF Interest	<u>(14,334)</u>	<u>(20,393)</u>
	<u>21,463</u>	<u>83,834</u>

5. Interest Payable and Similar Charges

	2009 £	2008 £
<b>Group</b>		
On loans	438,688	401,018
Less: Interest capitalised	<u>(51,254)</u>	<u>(25,722)</u>
<b>Total</b>	<u>387,434</u>	<u>375,296</u>

	2008 £	2008 £
<b>Company</b>		
On loans	323,362	304,913
Less: Interest capitalised	<u>(51,254)</u>	<u>(25,722)</u>
<b>Total</b>	<u>272,108</u>	<u>279,191</u>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

6. Surplus for the year before taxation

Group

	2009	2008
	£	£
Is stated after charging/(crediting):		
Auditors remuneration (including VAT)		
In their capacity as auditors		
Parent	6,900	9,547
Subsidiaries	2,300	2,573
In respect of other services		
Tax advice	863	-
Office Move	-	235
Depreciation		
Housing Stock	117,319	104,411
Other Assets	72,713	63,096
Impairment Provision	10,621	-
Surplus on sale of housing properties	(208,765)	(486,388)
(Surplus)/Deficit on disposal of motor vehicles	<u>(332)</u>	<u>(396)</u>

Company

	2009	2008
	£	£
Is stated after charging/(crediting):		
Auditors remuneration (including VAT)		
In their capacity as auditors		
Parent	6,900	9,547
In respect of other services		
Tax advice	863	-
Office Move	235	235
Depreciation		
Housing Stock	97,958	84,523
Other Assets	72,713	63,096
Impairment Provision	10,621	-
Surplus on sale of housing properties	(219,097)	(482,166)
(Surplus)/Deficit on disposal of motor vehicles	<u>(332)</u>	<u>(396)</u>

7. Taxation

Group

a. Analysis of charge in year	2009	2008
	£	£
Current Tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of previous year	<u>-</u>	<u>(1,436)</u>
Total current tax	-	(1,436)
Deferred Tax		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	-	(1,436)

Notes to the Financial Statements  
For the Year Ended 31 March 2009

7. Taxation (Continued)

b. Factors affecting the tax charge for the year	2009 £	2008 £
Tax arising on profit on ordinary activities at the standard rate of corporation tax of 28% (2008: 19%)	(400)	53,632
Effects of:		
Expenses not deductible for tax purposes	8,314	
Income not taxable	(4,676)	(47,644)
Capital allowances less than depreciation charge	(129)	(29)
Surplus on disposal of properties not taxable due to Indexation on capital gains	-	(5,959)
Other short term timing differences	(152)	-
Utilisation of tax losses and other deductions	(2,958)	-
Adjustment in respect of previous year	<u>-</u>	<u>1,436</u>
	-	(1,436)
	<u><u>-</u></u>	<u><u>(1,436)</u></u>

**Company**

The Association obtained exempt charitable status on 9 October 2006.

Arcon Housing Association Limited

Notes to the Financial Statements  
For the Year Ended 31 March 2009

8. Group Tangible Fixed Assets	Social Housing Properties £	Shared Ownership £	Social Housing (General Needs) Under Construction £		Social Housing (Shared Ownership) Under Construction £		Specialist Housing Properties £	Market Rent Properties £	Total £
<b>Cost/Valuation</b>									
At start of the year	24,050,202	994,089	613,232	926,738	2,157,819	3,192,999	31,935,077		
Prior year adjustment	-	(91,991)	-	16,117	-	-	(75,877)		
Additions	270,722	-	805,367	686,119	-	359,806	2,122,011		
Transferred on Completion	1,411,893	1,329,600	(1,411,893)	(1,329,600)	-	-	(340,287)		
Disposals	<u>(243,014)</u>	-	-	-	-	<u>(97,273)</u>	33,640,937		
At end of year	<b>25,489,803</b>	<b>2,231,698</b>	<b>6,706</b>	<b>299,374</b>	<b>2,157,819</b>	<b>3,455,532</b>	<b>33,640,937</b>		
<b>Depreciation and Impairment</b>									
At start of the year	565,027	11,181	-	-	145,287	31,932	753,427		
Charge for year	<u>69,292</u>	<u>12,180</u>	-	-	<u>16,487</u>	<u>19,361</u>	<u>117,321</u>		
At end of year	<b>634,319</b>	<b>23,361</b>	-	-	<b>161,774</b>	<b>51,293</b>	<b>870,741</b>		
<b>Cost/valuation less depreciation at end of the year</b>	<b>24,855,485</b>	<b>2,208,337</b>	<b>6,706</b>	<b>299,374</b>	<b>1,996,045</b>	<b>3,404,238</b>	<b>32,770,196</b>		
<b>Social Housing Grant</b>									
At start of the year	18,690,226	41,081	167,273	179,727	176,973	-	19,255,280		
Received in Year	-	-	162,303	168,697	-	-	331,000		
Disposals during year	(185,495)	-	-	-	-	-	(185,495)		
Transferred on Completion	<u>329,576</u>	<u>348,424</u>	<u>(329,576)</u>	<u>(348,424)</u>	-	-	-		
At end of year	<b>18,834,307</b>	<b>389,505</b>	-	-	<b>176,973</b>	-	<b>19,400,785</b>		
<b>Net Book Value at end of the Year</b>	<b><u>6,021,178</u></b>	<b><u>1,818,832</u></b>	<b><u>6,706</u></b>	<b><u>299,374</u></b>	<b><u>1,819,072</u></b>	<b><u>3,404,238</u></b>	<b><u>13,369,401</u></b>		
Net book value at start of the year	<u>4,794,949</u>	<u>849,836</u>	<u>445,959</u>	<u>763,128</u>	<u>1,835,559</u>	<u>3,161,067</u>	<u>11,850,498</u>		

The market rent properties are included at valuation due to Arcon Developments Limited having acquired them from Arcon Housing Association Limited at market value during the year.

Arcon Housing Association Limited

Notes to the Financial Statements  
For the Year Ended 31 March 2009

8. Company Tangible Fixed Assets

	Social Housing Properties £	Shared Ownership £	Social Housing (General Needs) Under Construction £	Social Housing (Shared Ownership) Under Construction £	Specialist Housing Properties £	Total £
<b>Cost</b>						
At start of the year	24,050,202	994,089	613,232	926,738	2,157,819	28,742,080
Prior year adjustment	-	(91,991)	-	16,117	-	(75,874)
Additions	270,722	-	805,367	382,449	-	1,458,538
Transferred on Completion	1,411,893	1,025,930	(1,411,893)	(1,025,930)	-	-
Disposals	<u>(243,014)</u>	-	-	-	-	<u>(243,014)</u>
At end of year	<b>25,489,803</b>	<b>1,928,028</b>	<b>6,706</b>	<b>299,374</b>	<b>2,157,819</b>	<b>29,881,730</b>
<b>Depreciation and Impairment</b>						
At start of the year	565,027	11,181	-	-	145,287	721,495
Charge for year	<u>69,291</u>	<u>12,180</u>	-	-	<u>16,487</u>	<u>97,958</u>
At end of year	<b>634,318</b>	<b>23,361</b>	-	-	<b>161,774</b>	<b>819,453</b>
<b>Cost less depreciation at end of the year</b>	<b>24,855,485</b>	<b>1,904,667</b>	<b>6,706</b>	<b>299,374</b>	<b>1,996,045</b>	<b>29,062,277</b>
<b>Social Housing Grant</b>						
At start of the year	18,690,226	41,081	167,273	179,727	176,973	19,255,280
Received in Year	-	-	162,303	168,697	-	331,000
Disposals during year	(185,495)	-	-	-	-	(185,495)
Transferred on Completion	<u>329,576</u>	<u>348,424</u>	<u>(329,576)</u>	<u>(348,424)</u>	-	-
At end of year	<b>18,834,307</b>	<b>389,505</b>	-	-	<b>176,973</b>	<b>19,400,785</b>
<b>Net Book Value at end of the Year</b>	<b>6,021,178</b>	<b>1,515,162</b>	<b>6,706</b>	<b>299,374</b>	<b>1,819,072</b>	<b>9,661,492</b>
Net book value at start of the year	<u>4,794,949</u>	<u>849,836</u>	<u>445,959</u>	<u>299,374</u>	<u>1,835,559</u>	<u>8,689,431</u>

8. Tangible Fixed Assets (Continued)

Group	2009 £	2008 Restated
<b>Housing Properties comprise:</b>		
Freeholds	11,733,873	10,328,027
Long leaseholds	<u>1,635,528</u>	<u>1,522,471</u>
	<u>13,369,401</u>	<u>11,850,498</u>

	2008 £	2008 £
<b>Works to existing properties comprise:</b>		
Capital expenditure	630,528	52,669
Revenue expenditure	<u>1,352,720</u>	<u>1,259,014</u>
	<u>1,983,248</u>	<u>1,512,676</u>

Development administration costs capitalised in the year totalled £31,494 (2008: £23,812)

Company	2009 £	2008 Restated
<b>Housing Properties comprise:</b>		
Freeholds	8,490,194	7,816,376
Long leaseholds	<u>1,171,298</u>	<u>948,969</u>
	<u>9,661,492</u>	<u>8,765,305</u>

	2009 £	2008 £
<b>Works to existing properties comprise:</b>		
Capital expenditure	270,722	227,292
Revenue expenditure	<u>1,347,145</u>	<u>1,250,548</u>
	<u>1,617,867</u>	<u>1,478,833</u>

Development administration costs capitalised in the year totalled £31,494 (2008: £23,812)

Arcon Housing Association Limited

Notes to the Financial Statements  
For the Year Ended 31 March 2009

9. Group & Company Tangible Fixed Assets - Other	Office Furniture & Equipment £	Motor Vehicles £	Computer Equipment £	Leasehold Improvements £	Total £
<b>Cost</b>					
At start of the year	75,444	169,791	123,676	271,356	640,267
Additions	23,540	36,622	3,281	5,109	68,552
Disposals	-	(37,170)	-	-	(37,170)
At end of the year	<b>98,984</b>	<b>169,243</b>	<b>126,957</b>	<b>276,465</b>	<b>671,649</b>
<b>Depreciation</b>					
At start of the year	58,043	71,433	114,213	129,925	373,614
Charge for year	11,782	31,728	6,687	25,515	72,712
Disposals	-	(29,938)	-	-	(29,338)
At end of the year	<b>69,825</b>	<b>73,823</b>	<b>120,900</b>	<b>152,440</b>	<b>416,988</b>
<b>Net Book Value at end of the year</b>	<b><u>29,159</u></b>	<b><u>95,420</u></b>	<b><u>6,057</u></b>	<b><u>124,025</u></b>	<b><u>254,661</u></b>
Net book value at start of the year	<u>17,401</u>	<u>98,358</u>	<u>9,463</u>	<u>141,431</u>	<u>266,563</u>

10. Debtors

Group	2009 £	2008 £
<b>Amounts falling due within one year:</b>		
Rent arrears	109,069	91,845
Less: provision for bad debts	<u>(37,614)</u>	<u>(31,789)</u>
	71,455	60,056
Other debtors	164,025	157,552
Social Housing Grant	-	120,000
Asset Management	207,508	-
Prepayments and accrued income	<u>66,233</u>	<u>108,043</u>
	<b><u>509,221</u></b>	<b><u>445,651</u></b>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2009**

**10. Debtors (continued)**

<b>Company</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Rent arrears	105,715	89,257
Less: provision for bad debts	<u>(35,737)</u>	<u>(30,275)</u>
	69,978	58,982
Other debtors	163,204	157,171
Social Housing Grant	-	120,000
Asset Management Sales	49,258	-
Prepayments and accrued income	65,607	106,156
Amounts owed by subsidiaries	<u>7,846</u>	<u>23,493</u>
	<b><u>355,893</u></b>	<b><u>465,802</u></b>

**11. Cash at Bank and Short Term Deposits**

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Money market investments	1,462,780	1,025,824
Cash at bank	<u>55,893</u>	<u>1,192,786</u>
	<b><u>1,518,673</u></b>	<b><u>2,218,620</u></b>
<b>Company</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Money market investments	1,162,798	1,025,824
Cash at bank	<u>14,945</u>	<u>16,655</u>
	<b><u>1,177,743</u></b>	<b><u>1,042,479</u></b>

Arcon Housing Association Limited

Notes to the Financial Statements  
For the Year Ended 31 March 2009

12. Creditors

Group	2009 £	2008 £
<b>Amounts falling due within one year:</b>		
Trade creditors	28,213	29,337
Accruals and deferred income	515,784	489,724
Loan repayments in one year or less	231,980	204,455
Loan Issue Costs	(3,750)	-
Rents in advance	53,130	47,881
Deferred Income	5,000	5,000
Other creditors	64,614	23,976
Recycled Capital Grant Fund	-	-
	<u>894,971</u>	<u>800,373</u>

Company	2009 £	2008 £
<b>Amounts falling due within one year:</b>		
Trade creditors	28,213	29,337
Accruals and deferred income	515,785	458,824
Loan repayments in one year or less	116,595	89,070
Loan Issue Costs	(3,750)	-
Rents in advance	53,106	47,663
Deferred Income	5,000	5,000
Other creditors	10,000	10,000
Recycled Capital Grant Fund	-	-
	<u>724,949</u>	<u>639,894</u>

13. Creditors

Group	2009 £	2008 £
<b>Amounts falling due after more than one year:</b>		
Loans repayable by instalments:-		
In one year or more but less than two years	236,095	245,020
In two years or more and less than five years	679,360	892,825
In five years or more	<u>6,340,345</u>	<u>4,707,275</u>
	7,255,799	5,845,120
Less Loan Issue Costs	<u>(99,159)</u>	-
	7,156,641	5,845,120
Recycled capital grant fund	256,385	361,557
Deferred Income	<u>35,000</u>	<u>40,000</u>
	<u>7,448,026</u>	<u>6,246,677</u>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

13. Creditors (continued)

Company	2009	2008
	£	£
<b>Amounts falling due after more than one year:</b>		
Loans repayable by instalments:		
In one year or more but less than two years	110,694	91,174
In two years or more and less than five years	268,132	277,440
In five years or more	<u>5,031,572</u>	<u>3,591,891</u>
	5,410,399	3,960,505
Less Loan Issue Costs	<u>(99,159)</u>	<u>-</u>
	5,311,240	3,960,505
Recycled capital grant fund	256,385	361,557
Deterred Income	<u>35,000</u>	<u>40,000</u>
	<u>5,602,624</u>	<u>4,362,062</u>

Housing loans are secured by specific charges on the RPs housing properties and are repayable at varying rates of interest. During the year ending 2009 the Association raised £47,638 of asset finance for purchases relating to company cars. These amounts are included within creditors.

The interest rate profile of the Group at 31 March 2009 was:	Total £	Variable Rate £	Fixed Rate £	Weighted Average Rate %
Deferred terms - Instalment loans	3,987,779	228,217	3,759,562	7.160
Non-instalment loans	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>	<u>1.733</u>
	<u>7,487,779</u>	<u>3,728,217</u>	<u>3,759,562</u>	<u>4.460</u>
The interest rate profile of the Company at 31 March 2009 was:	Total £	Variable Rate £	Fixed Rate £	Weighted Average Rate %
Instalment loans	2,026,994	228,217	1,798,777	9.155
Non-instalment loans	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>	<u>1.733</u>
	<u>5,526,994</u>	<u>3,728,217</u>	<u>1,798,777</u>	<u>4.455</u>

Arcon Housing Association Limited

Notes to the Financial Statements  
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14. Recycled capital grant fund

	2009	2008
Group and Company	£	£
At start of the year	361,557	517,478
Grants recycled	(110,506)	(176,314)
Interest charged	<u>14,334</u>	<u>20,393</u>
	265,385	361,557
Grant utilised	<u>-</u>	<u>-</u>
At end of the year	<u>265,385</u>	<u>361,557</u>

15. Called up Share Capital

Group	2009	2008
	£	£
<b>Allotted Issued and Fully Paid:</b>		
At start of the year	29	28
Issued during the year	2	1
Shares cancelled	<u>-</u>	<u>-</u>
At end of the year	<u>31</u>	<u>29</u>
<b>Company</b>	<b>2009</b>	<b>2008</b>
	£	£
<b>Allotted Issued and Fully Paid:</b>		
At start of the year	28	27
Issued during the year	2	1
Shares cancelled	<u>-</u>	<u>-</u>
At end of the year	<u>30</u>	<u>28</u>

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
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<b>16. Revaluation reserve</b>	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
<b>Group</b>		
At start of the year	759,069	820,705
Arising during the year	-	-
Released during the year	<u>(17,623)</u>	<u>(61,636)</u>
At end of the year	<u>741,446</u>	<u>759,069</u>

The revaluation reserve arises on consolidation of Arcon Developments Limited who hold properties at market value.

<b>Other Reserves</b>	<b>2009</b>	
	<b>Revenue</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At start of the year (restated)	7,013,350	7,013,350
Prior year adjustment	136,758	136,758
Transfer from Revaluation Reserve	17,623	17,623
Deficit for the year after tax	<u>(93,370)</u>	<u>(93,370)</u>
At end of the year	<u>7,074,361</u>	<u>7,074,361</u>

	<b>2009</b>	
	<b>Revenue</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
At start of the year (restated)	5,500,458	5,500,458
Prior year adjustment	136,758	136,758
Deficit for the year after tax	<u>(91,940)</u>	<u>(91,940)</u>
At end of the year	<u>5,545,276</u>	<u>5,545,276</u>

The Association has considered the recommendation in the Accounting Determination in relation to the disclosure of transfers to and from reserves in the income and expenditure account. It considers the disclosure of the movements on the face of the income and expenditure account provides the reader of the accounts with a more complete understanding.

17. Capital Commitments

Group	2009 £	2008 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	139,000	2,136,000
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>1,626,375</u>	<u>1,227,000</u>
	<u>1,765,675</u>	<u>3,363,000</u>
Company	2009 £	2008 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	139,000	1,385,000
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>1,481,375</u>	<u>1,227,000</u>
	<u>1,620,375</u>	<u>2,612,000</u>

The Association's Asset Management Strategy provides for open market sales where appropriate after appraising potential options. The proceeds from these sales are used to fund the major improvement programme and also invest in new housing stock. Other funding sources in the year will include Social Housing Grant and additional borrowings from Bradford & Bingley Building Society.

18. Pension Obligations - Group & Company

The RP operates a defined contribution pension scheme. The charge for the period is £76,681 (2008: £68,531) and at the balance sheet date there were contributions outstanding of £6,498 (2008: £5,992).

19. Directors' Emoluments – Group & Company	2009 £	2008 £
The aggregate emoluments paid to or receivable by Directors.	<u>268,828</u>	<u>268,058</u>
The emoluments paid to the highest paid Director of the Association excluding pension contributions:	<u>81,088</u>	<u>78,466</u>

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

Expenses paid to Committee members within the group in the year amounted to £5,111 (2008: £4,750). Expenses paid to Committee members within the Company in the year amounted to £3,816 (2008: £3,269)

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**Notes to the Financial Statements  
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**20. Employee Information – Group & Company**

The average weekly number of persons employed during the year was:	2009 Number	2008 Number
Office staff	20	19
Wardens, caretakers and cleaners	<u>3</u>	<u>3</u>
	<u><u>23</u></u>	<u><u>22</u></u>

	2008 £	2008 £
Staff costs		
Wages and salaries	669,443	614,558
Social Security costs	74,182	67,458
Other pension costs	<u>76,681</u>	<u>68,531</u>
	<u><u>820,306</u></u>	<u><u>750,547</u></u>

**21. Group Cash Flow Statement Notes**

	2009 £	2008 £
<b>Returns on investments and servicing of finance</b>		
Interest received	49,385	95,367
Interest paid (including capitalisation)	<u>(387,167)</u>	<u>(454,477)</u>
	<u><u>(337,782)</u></u>	<u><u>(359,110)</u></u>
<b>Financing</b>		
Issue of ordinary shares	2	1
Loans received	1,500,000	1,390,915
Loans repaid	(98,235)	(116,800)
Issue costs incurred	<u>-</u>	<u>-</u>
	<u><u>1,401,767</u></u>	<u><u>1,274,115</u></u>

Notes to the Financial Statements  
For the Year Ended 31 March 2009

21. Group Cash Flow Statement Notes (Continued)	At start £	Cashflows £	At end £
<b>Change in net debt</b>			
Cash in hand, at bank	1,192,795	(1,136,902)	55,893
Current asset investments	1,025,824	436,956	1,462,780
Debt due within 1 year	(204,455)	(27,525)	(231,980)
Debt due after 1 year	<u>(5,881,559)</u>	<u>(1,374,240)</u>	<u>(7,255,799)</u>
<b>Total</b>	<b><u>(3,867,395)</u></b>	<b><u>(2,101,711)</u></b>	<b><u>(5,969,106)</u></b>

	At start £	Cashflows £	At end £
<b>Reconciliation of cash movements</b>			
Money market investments	638,662	66,395	705,057
Short term cash deposits	<u>387,162</u>	<u>370,561</u>	<u>757,723</u>
<b>Total</b>	<b><u>1,025,824</u></b>	<b><u>436,956</u></b>	<b><u>1,462,780</u></b>

22. Sale of Properties – Group & Company

Group	Total 2009 £	Total 2008 £
Proceeds of Right to Buy Sales	53,410	-
Proceeds of Other Sales	515,969	928,802
Less: Costs of sales	<u>(360,614)</u>	<u>(442,414)</u>
	<b><u>208,765</u></b>	<b><u>486,388</u></b>
	Total 2009	Total 2008
<b>Company</b>		
Proceeds of Right to Buy Sales	53,410	-
Proceeds of Other Sales	429,028	576,302
Less: Costs of Sales	<u>(263,341)</u>	<u>(148,136)</u>
	<b><u>219,097</u></b>	<b><u>428,166</u></b>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
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<b>23. Units/Bedspaces</b>	<b>2009</b>	2008
	<b>Number</b>	Number
<b>Group</b>		
Social Housing	895	893
Shared Ownership	23	11
Specialist Housing	38	38
Market Rent	28	29
Managed for other bodies	<u>34</u>	<u>34</u>
	<u><b>1,018</b></u>	<u>1,005</u>

	<b>2009</b>	2008
	<b>Number</b>	Number
<b>Company</b>		
Social Housing	895	893
Shared Ownership	23	11
Specialist Housing	38	38
Market Rent	-	-
Managed for other bodies	<u>62</u>	<u>63</u>
	<u><b>1,018</b></u>	<u>1,005</u>

<b>24. Social Housing Grant – Group &amp; Company</b>	<b>2009</b>	2008
	£	£
The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources	<u><b>20,192,474</b></u>	<u><b>20,023,777</b></u>

**25. Changes in Estimates of Property Lives – Group & Company**

The Association reviews the life of its housing properties annually. It has reviewed these lives in this year and decided that estimates used in the previous financial year were correct.

**26. Related Party Transactions**

On 4<sup>th</sup> August 2006, Arcon Housing Limited sold 32 market rent properties to Arcon Developments Limited. Arcon Developments Limited is a wholly owned subsidiary of the Association.

During the period the Association managed its subsidiary company and charged management fees of £28,593 (2008: £28,149).

At 31<sup>st</sup> March 2009 the balance due from Arcon Developments Limited was £9,023 (2008: £6,794).

**27. Legislative Provisions**

Arcon Housing Association Limited is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a Registered Provider as defined by the Housing and Regeneration Act 2006. It obtained exempt charitable status on 9<sup>th</sup> October 2006.

Arcon Developments Limited is registered under the Companies Act 1985.

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2009**

**28. Prior Year Adjustment – Group and Company**

The prior adjustment reflects a change in accounting for shared ownership first tranche sales. The previous policy required the costs of development and the first tranche sale proceeds to be dealt with as part of fixed assets. The new policy (as set out in note 1) requires the cost of development to be split between fixed assets and current assets with the first tranche sale proceeds being matched against the current asset costs in the turnover and cost of sales.

The adjustments required are:

First tranche sale proceeds and related costs in 2008 are included in turnover and cost of sales.

Shared ownership properties have the costs of the first tranche sale included in current assets.

Prior year surplus on the sale of shared ownership properties will be added to fixed assets and reserves.

The effect on the 2008 figures are:

**Balance Sheet Fixed Asset Adjustment 2008**

	Shared Ownership properties completed	Shared Ownership properties under construction
As previously stated	994,089	926,738
Add first tranche surplus from prior years	82,844	16,117
Less transfer to current assets/cost of sales those costs of First tranche sales	<u>(174,835)</u>	<u>-</u>
As restated	<u>902,098</u>	<u>942,855</u>

**Balance Sheet Current Asset Adjustments 2008**

	Properties development for sale
As previously stated	-
Add transfer from fixed asset properties	<u>174,835</u>
As restated	<u>174,835</u>

**Balance Sheet Revenue Reserves Adjustments 2008**

	Revenue reserves
First tranche proceeds	480,151
First tranche cost of sales	(381,151)
Amortisation of loan costs	<u>37,758</u>
Prior year adjustment to opening revenue reserves	<u>136,758</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
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**28. Prior Year Adjustment – Group and Company  
(continued)**

**Income and Expenditure Account Adjustments**

2008

**Turnover**

As previously stated	3,440,010
Add proceeds of sale of first tranches of shared ownership	<u>274,874</u>

As restated	<u>3,714,884</u>
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**Costs of Sales**

As previously stated	3,349,148
Add costs of sales of first tranche of shared ownership	<u>223,057</u>

As restated	<u>3,572,205</u>
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