Genesis
Housing Group

Financial Statements 2008

Building futures

across London and the south east

Mike Harris,
Genesis customer

Contents

The Board, Group Executive team, committees and professional advisers

The Board

Adrian Bell BA (Hons)	Chair (and Independent Member)
Leo Thompson	Chair of Paddington Churches Housing Association Limited – appointed 25 September 2007
Roy Christie	Chair of Paddington Churches Housing Association Limited – resigned 10 September 2007
Dapo Ladimeji MA MBA FCA CTA	Chair of Pathmeads Housing Association Limited
Stephen Woolridge ACIB	Chair of Springboard Housing Association Limited
Anu Vedi CBE ACA	Group Chief Executive (co-opted member)
David Kleeman MA (Cantab)	Independent Member
Lawrence Wybraniec LLB (Hons) ACIB	Independent Member
Rolande Anderson MA (Cantab)	Independent Member
Stephen Lansman	Independent Member
Jacquie Cannon OBE BSc	Independent Member (co-opted member)

Group Executive team

Anu Vedi CBE ACA	Group Chief Executive
Allison Sofekun BSc (Hons) ACA MBA	Group Director of Corporate Services – appointed 1 February 2008
Cara Davani MBA Fellow CIPD	Group Director of Corporate Services – resigned 30 November 2007
Steve Coleman	Group Director of Development
John Lappin BSc (Hons) FCA	Group Director of Finance
Pam Lockley	Managing Director of Paddington Churches Housing Association Limited
Tom McGregor BA (Hons) MBA	Managing Director of Pathmeads Housing Association Limited
Mark Gayfer BSc (Hons) FCA	Managing Director of Springboard Housing Association Limited

Group committees

Group Audit and Risk Committee	Chair – David Kleeman MA(Cantab) – appointed 26 March 2008
Remuneration and Human Resource Committee	Chair – Adrian Bell BA (Hons)
Property Investment Development Committee	Chair – Jacquie Cannon OBE BSc
Diversity Committee	Chair – Rolande Anderson MA (Cantab) – appointed 24 September 2007
Governance Committee	Chair – Adrian Bell BA (Hons)

Secretary

Stephen Robertson LLB FCIH MA ACIS	Group Company Secretary

Registered office

Genesis Housing Group Limited
Capital House
25 Chapel Street
London
NW1 5DT

Bankers

Barclays Bank plc
Floor 28
1 Churchill Place
London
E14 5HP

Principal solicitors

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

Auditors

KPMG LLP
Chartered Accountants and Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Report of the Board (Year ended 31 March 2008)

Statement of the Board's responsibilities in respect of the Report of the Board and the financial statements

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations. Company law requires the Board to prepare financial statements for each financial year. Under that law, the Board has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of the Group and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that its financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Each of the persons who is a Board member at the date of approval of this report confirms that:

- So far as the Board member is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Board member has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Corporate governance

The Board confirms that Genesis Housing Group ("the Group") has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance.

Internal controls

The Board is required to report, under the Housing Corporation Internal Control Assurance Circular 07/07, the main policies designed to improve internal controls and that an annual review of the effectiveness of the Group's internal control systems has taken place.

The Board has overall responsibility for establishing and monitoring the whole system of internal control, reviewing its effectiveness and taking necessary action to remedy any significant failings or weaknesses identified in its review. This applies for all entities within the Group.

The Board has established policies on governance, risk management and internal audit, and has established a robust and comprehensive framework to assess the effectiveness of the internal control system. At a high level, the assurance framework brings together information from all significant parts of the Group's business. The framework comprises different sources of assurance, the most significant being Internal Audit, the Group Audit and Risk Committee ("GARC"), External Audit, and the Group Executive Team. A major component of the assessment is the risk management process.

As is permitted by the Housing Corporation's circular, the Board has delegated authority for internal controls to the GARC. The Group Chief Executive's report on internal controls assurance is therefore presented to the GARC for consideration along with the Statement on Internal Controls. These are recommended to the Group and subsidiary Boards. The responsibility for the internal control system remains with the Board.

Report of the Board (Year ended 31 March 2008)

The Board reviews the effectiveness of the system of internal control along the following lines:

Control environment

The Board has agreed clear corporate governance arrangements which define the roles of the subsidiary Boards, the Chair, Board members, the Group Chief Executive and the committees. In addition, there is in place an organisational structure which clearly defines lines of Group responsibility and delegation of authority.

Risk management

The Group encounters risk in every facet of its business. Its risk strategy is to avoid very high risks whenever possible and to manage all high and medium risk activities with a view to mitigating them in carrying out its strategic objectives.

The Board has agreed a comprehensive corporate risk strategy for the Group. This strategy is used as part of the business planning process to further enhance the use of sophisticated medium to long-term financial planning models as a risk management tool.

A risk management framework has been established and a risk management cycle interrelated with business planning which is subject to continuous review.

In recognition of the importance of risk management the Board commissioned PricewaterhouseCoopers to undertake a quality assurance review of risk management within the Group. The Risk Scrutiny Panel, which monitors risk across the organisation, was reconstituted. It is chaired by the Group Finance Director and includes the Managing Directors of two subsidiaries and the Group Director of Corporate Services. It is serviced by the Group Head of Risk Management. Minutes of the meetings are sent to all members of the GARC and one member of the GARC chairs four meetings of the Risk Scrutiny Panel a year.

The Group employs a system of risk mapping. The risk maps assess risk on the basis of impact (including reputational risk) and probability. Senior managers have a clear responsibility to identify risks in the areas in which they operate and to ensure appropriate procedures are in place to both mitigate and monitor these risks. Action plans to mitigate risk are agreed by management and reported quarterly to GARC, and to the Board as appropriate. The risk management process is coordinated through the Group Head of Risk Management.

Information systems

The Group has a comprehensive system of financial reporting. The annual budget, corporate strategy and business plans are approved by the Board. A monthly reporting package of financial results and key performance indicators ensures any significant adverse variances are examined by management and remedial action taken. Also the Board monitors financial performance on a quarterly basis via a comprehensive management accounts package which includes cash flow forecasts, income and expenditure statements and key monitoring indicators.

Control procedures

Policies and procedures are required for all aspects of the organisation's business. These include defined authorisation levels for both revenue and capital expenditure, including new projects. The Property Investment Development Committee, which has specific delegated powers from the Group Board and subsidiary Boards, examines new projects, recommends major projects for approval by the Board and monitors the progress of those schemes. Other examples of control procedures are: fraud prevention, treasury management, health and safety, recruitment, training and performance monitoring.

Monitoring systems

All departmental and senior managers are fully involved in agreeing the annual plan and budgets. Managers are required to monitor actual results monthly, and explain and deal with variances. A number of other functional and project-related monitoring systems exist which ensure that controls are operating effectively.

Internal audit

The Internal Audit function continues to assess internal controls, including financial controls, and provide independent assurance on areas reviewed. Management is responsible for instituting appropriate action to correct weaknesses identified by the internal and external audit reports, and for providing regular updates on the status of the action plans to the GARC. The Group Head of Internal Audit reports directly to the Group Chief Executive and has direct access to the Chair of the GARC.

Report of the Board (Year ended 31 March 2008)

Effectiveness of the system of internal control

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

The Group's systems are designed to provide the Board with reasonable assurance that problems are identified on a timely basis and dealt with appropriately, that assets are safeguarded against unauthorised use or disposition, that proper accounting records are maintained, and that the financial information used within the business or for publication is reliable.

The process of identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place for the year under review and up to the date of approval of the annual report, and is regularly reviewed by the Board.

As part of its system of internal control, the Board has a clear and well-communicated strategy and policy which defines fraud, and covers the prevention and detection of fraud within the Group, outlining how it is reported both internally and externally, together with its expectations on the recovery of assets. A clearly established whistleblowing policy and procedures are in place should fraud or attempted fraud be reported, discovered or suspected.

The above procedures and policies are designed to identify, evaluate and manage the significant risks of the Group. The Board has; received the Group Chief Executive's annual report on internal control assurance, reviewed the main policies designed to provide effective internal control, reviewed the fraud register, which indicates whether the Housing Corporation has been notified, and reflected the information contained within it in its review. The Board is satisfied that necessary action has been taken or is being taken to remedy any significant failings or weaknesses identified in its review.

The Board confirms that during the year there were no identified weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.

Employee involvement

The Group encourages the involvement of its employees in its management through regular meetings of the Genesis Forum, a consultative body of staff which has responsibility for the dissemination of information of particular concern to employees and for receiving employee views on important matters of policy.

The Group also encourages and acts on staff feedback through a number of other mechanisms, some of which include staff surveys, regular sessions of the Senior Managers with the Chief Executive, staff sessions giving the opportunity for all staff to meet with the Chief Executive once a year and upward feedback via a cascaded information dissemination process (Genbrief) allowing staff to ask questions and receive responses which are shared across the Group.

Diversity

The Board is responsible for providing a strategic steer on diversity matters endorsing the Group's diversity strategy and receiving regular progress and monitoring updates. All Board members receive diversity and equality training.

Applications for employment from disabled persons are given full and fair consideration for all vacancies for which the applicants' particular aptitude and abilities are suited. If employees become disabled, every effort is made to continue to employ them. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Political and charitable contributions

During the year the Group made a charitable donation of £50k (2007: £Nil) to a national charity. No political contribution was made during the year (2007: £Nil).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the Annual General Meeting.

On behalf of the Board

Adrian Bell
Chairman
22 July 2008

Operating and financial review (Year ended 31 March 2008)

GROUP FINANCIAL HIGHLIGHTS: FIVE-YEAR SUMMARY (£M)

	2008	2007 restated	2006 restated	2005*	2004*
Group income and expenditure account					
Turnover	**217.7**	206.5	186.4	145.2	131.7
Operating costs (incl. costs of sales)	**(195.3)**	(183.7)	(160.3)	(123.8)	(111.3)
Operating surplus	**22.4**	22.8	26.1	21.4	20.4
Surplus on sale of assets	**18.3**	14.9	10.2	6.7	7.6
Income from investments	**0.5**	–	–	–	–
Net interest charge	**(25.4)**	(26.0)	(25.4)	(18.4)	(15.8)
Taxation	**0.1**	–	0.2	–	–
Surplus for the year excluding joint venture activities	**15.9**	11.7	11.1	9.7	12.2
Joint venture activities deficit after tax	**(3.9)**	(4.1)	(1.4)	–	–
Group balance sheet					
Housing properties at cost less depreciation	**1,925.6**	1,633.0	1,397.9	863.9	790.4
Social housing grant and other grants	**(834.1)**	(764.9)	(639.3)	(449.2)	(423.6)
Other tangible fixed assets	**14.5**	12.2	12.2	7.6	5.3
Investments	**1.1**	1.3	1.3	1.1	1.4
Share of joint venture assets	**40.1**	19.1	8.9	–	–
Net current assets (liabilities)	**195.8**	59.7	19.6	(0.7)	(5.6)
	1,343.0	960.4	800.6	422.7	367.9
Loans due after one year	**1,107.8**	775.2	637.3	313.4	267.5
Other long-term liabilities	**38.7**	18.8	21.1	17.5	16.6
Negative goodwill	**36.9**	37.3	37.8	–	–
Reserves	**159.6**	129.1	104.4	91.8	83.8
	1,343.0	960.4	800.6	422.7	367.9
Statistics					
Operating margin excluding joint venture activities	**10%**	11%	14%	15%	15%
Units in management (excludes owned units managed by others)	**37,800**	44,074	43,899	34,174	28,443

* The years ending 31 March 2004 and 2005 have not been restated.

2006 figures have been restated to reflect the Group's decision to recognise first tranche sales on low cost home ownership properties through the income and expenditure account. This decision was endorsed by the Group Audit and Risk Committee. The effect of the restatement is a reduction to housing properties fixed assets at 1 April 2006 of £2.9m, an increase to current assets of £5.7m, an increase in the surplus for the year ended 31 March 2006 of £0.8m and an increase to reserves of £2.0m as at 1 April 2005 being accumulated first tranche surpluses prior to that date.

2007 figures have been restated to reflect the Group's decision to split the costs of the low cost ownership properties between current and fixed assets on initial recognition rather than on completion. The effect of this restatement is a reduction of shared ownership properties under construction in fixed assets of £44.4m and an increase to current assets of £44.4m.

Operating and financial review (Year ended 31 March 2008)

Nature of the business

Genesis Housing Group (the "Group") is one of the country's leading social housing businesses, with 36,000 homes under management in London and the south east of England. The Group's activities are focused on developing new affordable homes, delivering housing management services, providing a range of homes for rent and home ownership, and investing in community development and regeneration.

The Group is a preferred partner under the Housing Corporation's National Affordable Housing Programme (NAHP). It is regulated by the Housing Corporation with whom it is registered, and has to comply with the Corporation's Regulatory Code. Performance is measured by means of annual assessments against four main criteria which are: governance, viability, management and development. The Corporation uses a "traffic light" system to measure compliance; the latest assessment in July 2008 awarded four green lights to Genesis.

The Group is governed by a Group Board composed of nine non-executive members and the Group Chief Executive. The Group Executive Team, headed by the Group Chief Executive, attends Board meetings.

Genesis Housing Group Limited ("GHG") is the parent organisation and does not own or manage any homes but provides strategic leadership, development, finance and corporate services to other members of the Group.

Paddington Churches Housing Association Limited ("PCHA"), formed in 1965, provides general needs accommodation for rent and supported housing. PCHA owns and manages homes concentrated in north and north west London, and Hertfordshire. At the start of the year a transfer of engagements from Sutherland Housing Association Limited ("SHA") to PCHA was effected and SHA was subsequently wound up. As a result, PCHA now manages low cost home ownership activities.

Pathmeads Housing Association Limited ("PHA") joined the Group in 2002 and delivers property management services to local authorities, other housing associations, primary care and NHS trusts, developers and private investors. PHA is also the largest single provider in the country of temporary housing to the homeless.

Springboard Housing Association Limited ("SBHA"), founded in 1971, joined the Group on 1 April 2005. The association provides general needs and supported housing in areas across London, Essex and Hertfordshire with a specific focus on supporting the elderly and those with special needs.

The development programme is managed by the Group but delivered through subsidiaries and limited liability partnerships with other partners outside the Group.

Genfinance Limited ("Genfinance"), the Group's treasury company, has continued to work closely with existing relationship lenders and has successfully arranged a further £110m of loan facilities from three banks. The funds will be used to progress the Group's development activities.

Geninvest Limited ("Geninvest"), a subsidiary responsible for investing in and monitoring the Group's non-regulated activities has continued to grow throughout the year. The main investments are through two partnerships with Grainger plc; namely Grainger Geninvest LLP ("GGI1") and Grainger Geninvest (2006) LLP ("GGI2"), which continue to manage a combined portfolio of some 1,600 investment properties providing the Group with a significant gain on the revaluation of those properties.

Key highlights in the year

In September 2007 the Pathmeads temporary housing operation was inspected by the Audit Commission which gave a very favourable award of a good two stars, with promising prospects for improvement. Overall the inspectors said "the association's over-arching approach to managing quality temporary housing places an emphasis on providing an excellent service with the tenant at its heart, rather than a service aligned along the minimum standards of the contract". The Temporary Housing team continues to work proactively with government and local authorities on meeting the target to reduce temporary housing by 50% by 2010.

Pathmeads took over the management of Asset Trust's portfolio in February 2008. The portfolio offers the potential to expand the association's delivery of mixed tenure management. Such experience would serve the association well if it wishes to develop further links with institutional investors or developers looking for managing agents to manage their stock.

Pathmeads has been awarded a five-year contract to provide housing management and maintenance services to Wenlock Barn Tenants Management Organisation (TMO). The TMO was set up by tenants in 2006 to improve the quality of housing management services for the community. The estates (1,475 units – 1,084 tenants and 391 leaseholders) are still owned by the London Borough of Hackney but the day-to-day running of the services is delegated to the TMO through a legally binding management agreement.

Pathmeads Property Services Limited ("PPS") won its first external contract in July 2007. The five-year contract is with Soho Housing Association and is for carrying out responsive repairs and voids work for the association. The contract is for over 800 units, mainly around the Covent Garden and Soho areas of London. PPS had to adopt a different approach to service delivery for this contract because of the location and type of properties in the area, and so far the approach has been successful.

Operating and financial review (Year ended 31 March 2008)

PPS was also successful with its bid for responsive repairs and voids work for Pathmeads Temporary Housing. The contract is for four years and PPS is working closely with the other suppliers to develop a true partnership in the delivery of the service.

The Group's Grahame Park regeneration scheme in the London Borough of Barnet saw the completion of the construction, letting and sale of the first 32 new mixed tenure homes and considerable progress towards start on site of the first major phase of 319 homes. The Compulsory Purchase Order for the first phase of demolition was confirmed, following no public objections to the Order.

PCHA has continued to improve performance in the key areas of repairs, voids and rent arrears. The improvement in maintenance has been directly attributable to the involvement of tenants in monitoring the contract and working at the highest level with managers and senior staff from contractors to shape the service to meet tenants' preferences and agreed standards. PCHA is grateful to tenants for their vital contribution.

A major project for PCHA this year has been the move from fixed to variable service charges. The underlying driver for this change has been the need to increase transparency for our customers. It is particularly important in mixed tenure estates that residents feel the services are paid for by everyone on an equal basis and also that they are receiving value for money. Variable service charges are the best way to achieve this. They empower residents to question the type and quality of service provided, and this is a necessary step for continuous improvement. The project to bring about this change was very complex; records of services to each tenant had to be established and this required extensive consultation. This exercise enabled PCHA to better understand the true extent of the costs of services. This will ensure these costs are recovered more effectively via service charges than has previously been the case.

PCHA has been at the forefront of the "Your place" initiative; a project aimed at supporting tenants in their efforts to improve their employment prospects, get on the home ownership ladder and reward tenants who fulfil the obligations of their tenancy agreement and encourage those that do not, to change. At the heart of "Your place" will be an agreed plan for tenants to achieve their aspirations together with individual and tailored support and mentoring.

PCHA has developed an approach to new homes and mixed tenure management whereby PCHA will have the earliest possible involvement in the development of schemes. This approach enables PCHA to take account of whole life maintenance costs and develop a management strategy to ensure mixed communities receive intensive support at the start of a tenancy to set high standards of neighbourly behaviour. The strategy will give residents more involvement in the management of their homes.

Springboard had another successful year. Improvements were made to services for its social rented customers, particularly in respect of day-to-day maintenance, and its Supporting People services continued to gain improved ratings from local authorities including one instance of achieving six grade As. Improvements were also made to the services provided to leaseholders to bring them in line with the latest recommendations from the Association of Retirement Home Managers. A survey of leaseholders late in the year indicated an increase in overall satisfaction levels to 73%.

In order to benefit from Springboard's expertise in supported housing, PCHA transferred management responsibility for its supported housing portfolio of 1,100 homes. An exchange or transfer of management responsibilities for certain elements of general needs housing stock between PCHA and Springboard, with a view to further improving customer service, is currently under review.

Late in the year Springboard was chosen as a preferred partner by St Matthew Housing Association, a 700 home supported housing organisation operating in East Anglia. St Matthew subsequently joined the Group as a subsidiary of Springboard on 9 May 2008.

Over the past year Genesis Community Foundation has aligned its primary objectives more closely to the shared vision of the Group developing as a social investment business. To this end the Foundation has developed its "Life Change Programme" which aims to improve the life opportunities of those housed by the Group and to develop and support the social capital within the communities in which those residents live. This has involved consolidating its previous programmes under three key themes, namely; employment, enterprise and training; young people; and old and vulnerable people. It will continue to deliver Financial Capability Advice and to run its Small Grants Programmes but as an integral part of those three themes. As part of this process it has developed an entirely new employability programme which, in the first instance, will focus primarily on supporting long-term workless adults housed by the Group onto employability programmes and ultimately into sustainable and meaningful work (this may be paid employment or volunteering).

This programme will become the central hub of all the Foundation's activities and through it the Foundation will promote life skills and personal development for young people as an integrated part of its "Youth Programme". It is also developing life-long learning and personal development programmes for elderly people and those who are vulnerable, of which the Digital UnITe Programmes in East London and Essex are prime examples. This year it has supported nearly 50 community projects in 15 boroughs, and led and managed one Neighbourhood Renewal Partnership.

Our partnership with Grainger plc continues to prosper. Major refurbishment programmes costing in excess of £4.2m were carried out on GGI1 and GGI2 housing stock. The investment continues to add value with healthy profits of £0.9m realised on sale of 38 units during the year. On realisation of these investment properties the Group's financial position will be significantly enhanced. Valuations completed during the year show that the two portfolios increased in value by £70m. Finished designs for redevelopment of property at Waterloo East will be presented to the Greater London Authority. This scheme will provide a large amount of retail space, a covered bus depot, offices and residential units. The Grainger Geninvest estates are managed

Operating and financial review (Year ended 31 March 2008)

by Pathmeads contract management division while the asset management, including property sales, is handled by Grainger plc. This successful relationship shows the Group's commitment to professionally managing partnerships with the private sector.

During the year the Group has witnessed important changes to regulations, including the introduction of the Housing and Regeneration Bill. This Bill supports the delivery of three million new homes by 2020 and also focuses on providing a better service to tenants. The emphasis on the quality and sustainability of homes and communities proposed by this bill is welcomed by the Group.

Employees continue to be the Group's greatest asset. The Group received the Investors in People accreditation during the year, demonstrating its commitment to its staff. The Group was also listed as one of "Britain's Top Employers" as published by CRF in association with Guardian books. The Group's work on disability awareness was recognised through its achievement of the Two Ticks accreditation. The Group has continued to progress its "Lead to Change" programme, designed to develop leadership skills and focus on the need for continuous improvement, effective performance management and increasing efficiency.

Genesis is committed to providing a safe and healthy environment for staff, customers and visitors. The Group invested in employing a team of health and safety specialist advisers who have significantly strengthened health and safety management systems across the business and are deployed to ensure that competent advice and assistance is utilised by every part of the Group's diverse and growing business.

Mission, objectives and strategies

Genesis is a social investment business. We provide homes and services, supporting customers and communities to build futures.

The objectives of Genesis are:

Putting customers first: Genesis will deliver excellent services and increase the provision of choice and responsibility to customers who will enjoy improved levels of service from all the Group's subsidiaries. Our services will reflect the diversity of the communities we serve.

Growing the business: Genesis will provide and manage more homes for existing and new customers and do so in diverse ways. A new flexible home-ownership product will be developed and offered as part of our Your Place project.

Community investment: Genesis will invest in communities and promote change to enhance opportunities for customers to meet their tenure and work aspirations.

Delivering value for money: Genesis will deliver its services efficiently and direct resources to meet its priorities. We will organise our business to be streamlined and reduce duplication and waste.

Developing and supporting our people: Genesis will become an employer of choice.

Dynamics of the Group

The Board comprises nine non-executive directors and the Group Chief Executive who is a co-opted member. Six of the non-executive directors are independent and do not serve on the subsidiary Boards. The other three directors are the Chairs of the three operating subsidiaries of Genesis.

The Board of Genesis meets at least quarterly and exercises its governance responsibilities in the following manner:

- Determines and monitors the strategic direction of the Group;
- Determines the use of the Group's financial resources on behalf of its members;
- Agrees policies and a framework for control and delegations to committees and the Executive Directors; and
- Sets corporate targets for the Group and monitors performance against those targets.

The Genesis and subsidiary non-executive directors were remunerated as follows:

Chair	£10,000
Member and Chair of Committee or subsidiary Board	£6,500
Member	£3,250

The Group Audit and Risk Committee's remit includes the examination of any matters relating to the Group's internal controls, risk management and the Group's audit arrangements. The Group Chief Executive and Group Director of Finance are invited to attend all GARC meetings. The external auditors attend at least two meetings per year. The committee meets the external auditors once every year in a private session without any officers present.

The Remuneration and Human Resource Committee is responsible for determining the terms and conditions of employment of the Group Chief Executive and other Executive Directors.

The Property Investment Development Committee is responsible for reviewing and making recommendations for the provision of schemes in the Group's development programme and other major projects, as well as the standards set in their delivery. Within its level of delegated authority it approves schemes or recommends them for decision by the Board or subsidiary Boards as applicable.

The Diversity Committee is responsible for promoting equality and diversity across Genesis and ensuring that the Group works towards eliminating discrimination and encouraging diversity amongst the workforce and the communities in which we operate.

The Governance Committee is responsible for reviewing and advising the Board on governance matters including the membership policy, succession arrangements, member induction, the system of appraisal and issues relating to the Group's Code of Conduct.

Operating and financial review (Year ended 31 March 2008)

Corporate social responsibility

Corporate social responsibility plays an important role in the way the Group conducts its business. The Group strives to conduct itself in a professional, fair, ethical, legal and sustainable manner in relationships with fellow employees, customers, suppliers, business partners, the community and other stakeholders in the housing sector and encourages its suppliers to implement a similar approach.

The Group's charitable foundation, Genesis Community Foundation, demonstrates its commitment to making an impact in communities across London and the south east at a grass-roots level. In developing and maintaining homes, the Group uses eco-friendly practices where possible, such as modern methods of construction and replacing single-glazed windows with more energy-efficient units. The Group carries out extensive community consultation programmes in the local neighbourhoods where its homes are being built.

Operating performance

The Board and Group Executive Team use a number of key performance measures to monitor achievement of the Group's objectives. These measures cover areas of financial management, housing management, development and sale, and asset management.

Measures across financial management include comparisons of surpluses as a percentage of turnover across the various business streams and monthly management accounts which compare actual results to budgets and revised forecasts. Interest cover and gearing are also monitored by the treasury team for compliance with covenants, and to assess the Group's cashflow.

Housing management measures focus on arrears and voids management and, in particular, tenant satisfaction.

Development and sale performance is measured against targets for: the number of units in development, completion, and grant take-up. As the Group is dependent on sale of properties, whether through low cost home ownership or outright sales, the number of units sold is monitored against budget on a monthly basis.

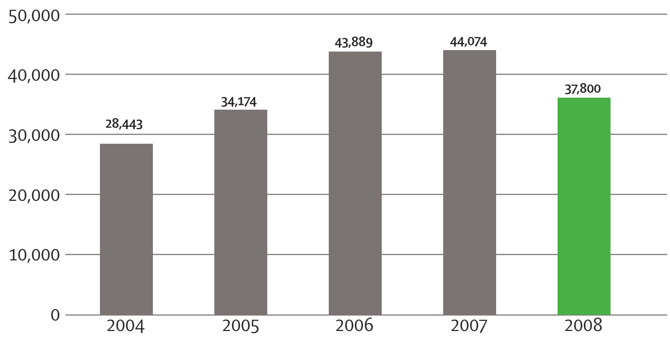
Asset management measures monitor the performance of planned and day-to-day repairs, including the average costs of carrying out repairs, response times for each category of repairs, and completion times against target. The standards of the Group's homes are also monitored annually to ensure that the Group is in line with the Decent Homes Standard targets.

The performance during the year in the key operational areas is set out opposite and the performance measures have been combined from source data to show the Group's overall performance.

Units in management

The total number of units managed by the Group has decreased by 6,274 units mainly as a result of the termination of a management contract with the London Borough of Hackney.

Number of units managed by the Group



Completed units and units sold

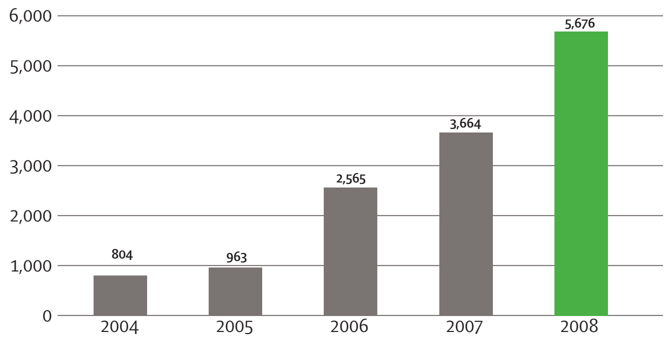
The Group provided 809 (2007: 770) new affordable homes during the year. Funding secured from the Housing Corporation excluding any discount on land values was £71.9m (2007: £90m).

The Group sold 536 units mainly through low cost home ownership compared to 282 units in 2007.

Units under development

The Group's development programme has continued to increase substantially over the past year with 5,676 homes under development at 31 March 2008, compared with 3,664 homes under development at 31 March 2007.

Number of homes under development



The capital expenditure on new homes was £407.4m (2007: £218.1m). The Group received Social Housing Grant ("SHG") and other public subsidies of £76.6m (2007: £128.6m).

At 31 March 2008, the Group owned housing properties at a total cost of £1,953.1m (2007: £1,652.7m). Cumulative grants and subsidies received totalled £834.1m. The directors are of the opinion that the market value of the properties at 31 March 2008 would significantly exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable.

Operating and financial review (Year ended 31 March 2008)

Housing management

The average secure rents increased by 5.7% in the year from £84.55 to £89.36 per week, and the average assured rents increased by 5.5% from £88.71 to £93.60.

Void loss as a percentage from gross rent as used by the housing management shows an improved position year-on-year from 2.5% to 2.0%.

Rent arrears as a percentage of gross rent increased marginally from 6.3% to 6.4%.

Asset management

Total spend on major repairs in the year was £16.1m (2007: £22.9m).

The percentage of dwellings meeting Decent Homes Standard continues to show improvements at SBHA from 97% to 98% while at PCHA this remained at 97%.

Financial performance

Turnover and operating results

Group turnover including joint venture share was £228.5m, an increase of 8.2% from £211.1m. This was mainly as a result of the growth in low cost home ownership first tranche sales which doubled from £19.2m to £38.4m year-on-year to make up for the reduction in turnover in temporary housing from £81.8m to £73m, and the loss of general needs contract management income from local authorities of some £5.9m . Rent from temporary housing reduced as a direct result of the unit numbers being handed back reflecting the decline in the temporary housing market. Operating margins have remained at 12%. General needs operating margins improved significantly from 25% to 37%. This improvement is mainly due to a decrease in spend on major works. The reduced spend was necessary to compensate for low margins generated in 2008 across low cost home ownership first tranche sales as well as impairments of £5.8m reported under other activities. Supported housing operating margins improved to 2% (2007: loss 4%). Temporary housing operating margins reduced to 5% (2007:7%) as expected from reduced turnover and economies of scale reductions.

Turnover and operating surplus by activity is shown below:

£m	**2008**			2007		
Turnover and operating surplus by activity	**Turnover**	**Operating surplus/ (deficit)**	**Operating margin**	Turnover	Operating surplus/ (deficit)	Operating margin
General needs	**70.3**	**26.1**	**37%**	72.0	18.3	25%
Supported housing	**18.7**	**0.3**	**2%**	18.0	(0.7)	(4%)
Low cost home ownership	**4.6**	**2.7**	**59%**	3.1	0.3	9%
Low cost home ownership first tranche sales	**38.4**	**(0.9)**	**(2%)**	19.2	1.2	6%
Temporary accommodation	**73.0**	**3.3**	**5%**	81.8	6.0	7%
Keyworker accommodation	**6.0**	**2.0**	**33%**	6.1	2.1	35%
Other activities	**6.7**	**(11.1)**	**(166%)**	6.3	(4.4)	(70%)
Joint ventures	**10.8**	**4.5**	**42%**	4.6	2.1	45%
Total	**228.5**	**26.9**	**12%**	**211.1**	**24.9**	**12%**
Surplus on ordinary activities after taxation as a percent of turnover (excl. joint ventures)			**7%**			6%

Operating and financial review (Year ended 31 March 2008)

General needs turnover reduced due to a decline in the number of units managed for local authorities with a significant impact on the contract management fee income, a shortfall of some £1.7m compared to the previous year. The operating margins increased from 25% to 37% as a result of reduced spending on major works and the higher proportion of General needs income from units owned compared to units managed for local authorities where the margins are closer to 13%.

Low cost home ownership lettings income has increased due to the increased number of units coming through the Group's development programme with an increasing operating margin achieved through economies of scale.

The decrease in temporary housing turnover is mainly attributed to a decline in the temporary accommodation sector driven by government policy. Pathmeads remains the largest single provider of temporary housing nationally and the temporary housing income accounts for 32% of total turnover. Operating margins in temporary housing reduced by 2% reflecting inflationary increases in staff overheads as well as a decrease in turnover as a result of government set targets to halve the number of families in temporary accommodation.

The increase in deficit of other activities includes impairment charges referred to above.

Joint venture activities

The loss from joint venture activity before taxation has reduced from £5.9m in 2007 to £4.9m in 2008 and this trend is expected to continue reflecting a measured refurbishment programme on a number of those properties currently on affordable rent, following which they will be attracting market rent.

The Group's share of interest costs in joint venture activities is £10.5m while the share of operating surpluses from lettings is £4.5m and the share of surplus on disposal of properties is £0.9m. The portfolios in the five joint ventures have increased in value during the year, generating an unrealised gain attributable to the Group of £22.1m, which is not reflected in the Income and Expenditure Account.

Pension costs

Total pension costs for the year were £1.4m (2007: £1.5m), being total contributions made towards a money purchase scheme operated by the Group and managed by AXA, contributions to the Social Housing Pension Scheme ("SHPS") and also scheme costs including service costs of two final salary schemes. The net pension deficit in the final salary schemes operated by the Group increased from £0.2m to £2.9m.

The Group contributes between 3.5% and 7.5% of salary to the money purchase AXA scheme, 19.1% to the London Pensions Fund Authority ("LPFA") and 14.7% to the SHPS. The future service contribution rate for the PCHA 2001 scheme is 29.9% (representing contributions of both employees and employer) and an annual contribution of £412,000 will be paid over a period of 10 years to fund the past service deficit.

The money purchase scheme managed by AXA is the only scheme open to new employees. Further details on the schemes are disclosed in note 27.

Reserves

The Group achieved a consolidated net surplus after taxation for the year of £12.0m which was transferred to the revenue reserves (2007: £7.6m). The net surplus is arrived at after charging the Group's share of revenue deficits on joint venture activities of £3.9m (2007: £4.1m).

The Group's total reserves increased by £30.1m to £196.5m (including negative goodwill of £36.9m) and its revenue reserves increased by £9.2m to £113.4m. A designated reserve of £7.3m (2007: £7.4m) is held to support the Group's future stock investment programme. A restricted reserve of £1.1m (2007: £1.3m) is held in respect of restricted funds within Genesis Community Foundation.

Investment for the future

The Group is one of the Housing Corporation's Principal Developing Associations and was awarded a new allocation in the NAHP bid round for 2008/11 totalling £37.6m.

In addition to the development of new properties, the Group is committed to major repairs such as replacements of roofs, kitchens and bathrooms in the region of £16.1m for 2008/09.

At the end of the year, capital commitments for new development amounted to £0.4 billion (2007: £0.6 billion) which will be financed by a combination of low cost home ownership property sales and capital grant receivable.

Legislative changes

SORP 2008 is applicable to accounting periods beginning on or after 1 April 2008. The Group will adopt the recommendations in the next financial year. The impact of adopting these recommendations would result in minor changes to the Group's results, because the Group has adopted early the most significant change relating to low cost home ownership properties.

Future outlook

The current downturn in the UK economy presents a challenge to the Group given our large-scale development programme. Predicting the full impact and the duration of this economic downturn is difficult and the Board of the Group has agreed a number of actions to mitigate potential business and financial risks.

During the coming year there are likely to be a number of challenging threats, risks and periods of uncertainty. The key risks which the Group is addressing include the on-going economic uncertainty and the reluctance of private developers to commit to new housing developments; meeting governmental targets for improved standards; sustainability and reduced carbon footprint; addressing the issues raised by the new regulatory framework and the provisions of the Housing and Regeneration Bill and the possibility of further mergers and acquisitions within the sector.

The Group prepares detailed cash flows which are reviewed on a regular basis by the Executive team and GenFinance Limited Board. In the current challenging economic climate, a number of financial scenarios have been prepared and the Group is satisfied that sufficient forward funding will be in place to support the activities of the Group over the next 12 months.

Operating and financial review (Year ended 31 March 2008)

However, as with all challenges there come opportunities and Genesis Housing Group will ensure that it is in a position to be able to maximise these when they occur. To mitigate risk and maximise opportunities Genesis Housing Group is continually strengthening its internal controls environment, corporate governance and risk management through regular review, application of best practice and stress testing controls through scenario planning.

Treasury policy and capital structure

The Group has a formal treasury management policy which is approved by the Board and monitored by Genfinance Limited. The policy addresses funding and liquidity risk and covenant compliance. The Group's interest rate management strategy provides for approximately 70% of its borrowing costs to be hedged. Variable rate borrowings are those where interest rates are fixed for less than 12 months.

Capital structure

Genesis has established and retains strong relationships with a number of banks and financial institutions to facilitate future funding requirements and to ensure a balanced spread. All new Group borrowings are undertaken by Genfinance Limited and lent on to the RSLs. At 31 March 2008, the Group's total borrowings were £1,095.7m from available facilities of £1,234.2m. In addition, the Group has committed undrawn facilities totalling £110m which was agreed after the year end. This is expected to be sufficient to fund the ongoing development programme until March 2009.

Interest

Interest charge after capitalisation on the Group's loans (excluding joint ventures) decreased by 6% to £29.6m (2007: £31.5m). The weighted average cost of funds for the Group increased to 5.5% (2007: 5.2%).

Exposure

Exposure to interest rates is managed through the use of interest rates swaps and embedded fixed rate loans. At year end, £509.0m of interest rates swaps were outstanding with an average maturity of two years. All interest rate swaps require approval by the Board of Genfinance Limited. The Group's total hedged position was £669.4m at 31 March 2008, representing 63% of total borrowings.

Covenants

Loan covenants were met throughout the year and at year end for all facilities – the financial covenant tests are interest cover and gearing. Interest cover was 186% (2007: 127%) and gearing was 53% (2007: 47%).

Cash flows and liquidity

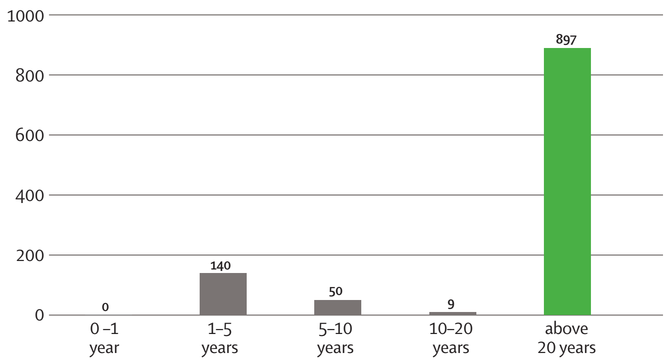
The cash flow statement shows that during the year the Group generated net cash outflow of £17.0m and made net interest payments of £41.5m. The Group increased net borrowings by £335.3m in the year and received £52.0m and £39.3m in capital grants and fixed assets sales respectively. Capital expenditure outflow on housing properties was £406.7m.

The Group's policy relating to liquidity is to hold sufficient cash or on-demand facilities to meet between two and four weeks' working capital requirements. Short-term balances are placed on overnight/short term deposits at competitive rates. The Group operates strict investment guidelines in respect to surplus cash with the emphasis on the preservation of capital.

Debt maturity

The debt maturity profile as at 31 March 2008 for the Group was as follows (£m):

Debt maturity (£m)



Compliance statement

The Board has considered the Accounting Standards Board statement of best practice on Operational and Financial Reviews in preparing this review.

Anu Vedi
Group Chief Executive
22 July 2008

Independent auditors' report (Year ended 31 March 2008)

Independent auditors' report to the members of Genesis Housing Group Limited

We have audited the financial statements of Genesis Housing Group Limited for the year ended 31 March 2008 which comprise the income and expenditure accounts, the statements of total recognised surpluses and deficits, the balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out on page 2.

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

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

In addition we report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board members' and directors' remuneration and other transactions with the Group and other members of the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

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

KPMG LLP

KPMG LLP

Chartered Accountants and Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

22 August 2008

Group income and expenditure account (Year ended 31 March 2008)

	Note	2008 Group excluding joint venture activities £m	2008 Share of joint venture activities £m	2008 Group £m	2007 Group excluding joint venture activities £m	2007 Share of joint venture activities £m	2007 Group £m
Turnover	2, 3	**217.7**	**10.8**	**228.5**	206.5	4.6	211.1
Cost of sales	2	**(36.5)**	**(4.2)**	**(40.7)**	(18.0)	–	(18.0)
Operating costs	2	**(158.8)**	**(2.1)**	**(160.9)**	(165.7)	(2.5)	(168.2)
Operating surplus	2	**22.4**	**4.5**	**26.9**	22.8	2.1	24.9
Surplus on sale of properties	6	**18.3**	**0.9**	**19.2**	14.9	0.7	15.6
Income from investments	7	**0.5**	**—**	**0.5**	–	–	–
Surplus on ordinary activities before interest		**41.2**	**5.4**	**46.6**	37.7	2.8	40.5
Interest receivable	8	**3.8**	**0.2**	**4.0**	5.2	0.1	5.3
Other finance income	9	**0.4**	**—**	**0.4**	0.3	–	0.3
Interest payable and similar charges	10	**(29.6)**	**(10.5)**	**(40.1)**	(31.5)	(8.8)	(40.3)
Surplus/(deficit) on ordinary activities after interest and before taxation	11	**15.8**	**(4.9)**	**10.9**	11.7	(5.9)	5.8
Taxation	12	**0.1**	**1.0**	**1.1**	–	1.8	1.8
Surplus/(deficit) on ordinary activities after taxation	23	**15.9**	**(3.9)**	**12.0**	11.7	(4.1)	7.6

All amounts relate to continuing activities.

Company income and expenditure account (Year ended 31 March 2008)

	Note	2008 £m	2007 £m
Turnover	2	**40.2**	35.6
Operating costs	2	**(39.3)**	(37.0)
Operating surplus/(deficit)	2	**0.9**	(1.4)
Interest receivable	8	—	–
Other finance income	9	**0.4**	0.3
Interest payable and similar charges	10	—	–
Surplus/(deficit) on ordinary activities after interest	11	**1.3**	(1.1)
Taxation	12	**0.1**	–
Surplus/(deficit) on ordinary activities after taxation	23	**1.4**	(1.1)

All amounts relate to continuing activities.

Statements of total recognised surpluses and deficits (Year ended 31 March 2008)

Group	Note	2008 £m	2007 £m
Surplus for the year		**12.0**	7.6
Actuarial (loss)/gain relating to pension schemes	27	**(2.9)**	0.8
Unrealised gain on investments	23	**—**	0.1
Unrealised gain on revaluation in respect of joint ventures	23	**22.1**	16.3
Total recognised surpluses and (deficits) for the year		**31.2**	24.8
Prior year adjustment		**—**	2.8
Total recognised surpluses and (deficits) since the last annual report		**31.2**	27.6

Company	Note	2008 £m	2007 £m
Surplus/(deficit) for the year		**1.4**	(1.1)
Actuarial (loss)/gain relating to pension schemes	27	**(2.9)**	0.8
Total recognised surpluses and (deficits) for the year		**(1.5)**	(0.3)

Balance sheets (Year ended 31 March 2008)

	Note	**Group 2008 £m**	Group 2007 (restated) £m	**Company 2008 £m**	Company 2007 £m
Fixed assets					
Tangible assets					
Housing properties	13				
Cost		**1,953.1**	1,608.3	**–**	–
Capital grant		**(834.1)**	(764.9)	**–**	–
Depreciation		**(27.5)**	(19.7)	**–**	–
		1,091.5	823.7	**–**	–
Other fixed assets	14	**14.5**	12.2	**4.8**	3.3
Fixed asset investments					
– Investments in associates	15b	**–**	–	**–**	–
– Investment in joint ventures:					
Share of gross assets	15c	**210.5**	161.1	**–**	-
Share of gross liabilities	15c	**(170.4)**	(142.0)	**–**	-
– Listed investments at market value	15d	**1.1**	1.3	**–**	-
		1,147.2	856.3	**4.8**	3.3
Current assets					
Housing properties and stock for sale	16	**157.5**	55.0	**–**	–
Debtors: Amounts receivable within one year	17	**91.5**	68.1	**88.6**	38.7
Debtors: Amounts receivable after more than one year	17	**20.4**	24.3	**0.2**	0.6
Current asset investments	15e	**7.8**	7.3	**–**	–
Cash at bank and in hand		**17.5**	15.7	**–**	–
		294.7	170.4	**88.8**	39.3
Creditors: Amounts falling due within one year	18	**(98.9)**	(66.3)	**(93.2)**	(42.7)
Net current assets/(liabilities)		**195.8**	104.1	**(4.4)**	(3.4)
Total assets less current liabilities		**1,343.0**	960.4	**0.4**	(0.1)

Balance sheets continued (Year ended 31 March 2008)

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Creditors: Amounts falling due after more than one year	19	**1,138.9**	787.5	**0.6**	0.8
Pension deficit	27	**3.0**	0.8	**3.0**	0.8
Provisions for liabilities and charges	20	**4.6**	5.7	—	–
Capital and reserves					
Share capital	21	—	–	—	–
Negative goodwill	22	**36.9**	37.3	—	–
Revaluation reserve	23	**37.8**	16.2	—	–
Designated reserves	23	**7.3**	7.4	—	–
Restricted reserves	23	**1.1**	1.3	—	–
Revenue reserves	23	**113.4**	104.2	**(3.2)**	(1.7)
Total shareholders' funds/(deficit)		**196.5**	166.4	**(3.2)**	(1.7)
		1,343.0	960.4	**0.4**	(0.1)

These financial statements were approved by the Board and signed on its behalf by:

Adrian Bell
Group Chair
22 July 2008

John Lappin
Group Director of Finance

Stephen Robertson
Group Company Secretary

Consolidated cash flow statement (Year ended 31 March 2008)

	Note	2008 £m	2008 £m	2007 £m	2007 £m
Net cash inflow from operating activities	24		**12.8**		43.2
Returns on investments and servicing of finance					
Income from investments		**0.5**		–	
Interest received		**1.4**		2.2	
Interest paid		**(43.4)**		(43.1)	
			(41.5)		(40.9)
			(28.7)		2.3
Taxation			**0.1**		(0.1)
Capital expenditure and financial investment					
Cash paid for construction and purchase of housing properties		**(406.7)**		(218.1)	
Cash paid for purchase of other fixed assets		**(3.8)**		(1.8)	
Cash paid for purchase of investments		**(4.0)**		–	
Proceeds from sale of housing properties		**39.3**		18.8	
Proceeds from sale of other fixed assets		**—**		2.5	
Proceeds from sale of investments		**—**		0.2	
Capital grant received		**52.0**		84.4	
Net cash outflow from capital expenditure and financial investment			**(323.2)**		(114.0)
Cash outflow before management of liquid resources and financing			**(351.8)**		(111.8)
Management of liquid resources					
Increase in current asset investments	25		**(0.5)**		(0.4)
Financing					
New secured loans		**393.9**		226.6	
Additional loan costs		**(3.1)**		(1.0)	
Loan repayments		**(55.5)**		(97.2)	
Net cash inflow from financing	25		**335.3**		128.4
(Decrease)/increase in cash in the year	26		**(17.0)**		16.2

Notes to the financial statements (Year ended 31 March 2008)

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice ("SORP") "Accounting by Registered Social Landlords" Update 2005, except for the treatment of first tranche disposals of low cost home ownership properties, and under the historical cost convention as modified by the revaluation of quoted investments and investment properties. A summary of the more important accounting policies is set out below:

Basis of consolidation

The consolidated accounts incorporate the financial statements of Genesis Housing Group Limited, its subsidiaries and joint ventures. Further details of the subsidiaries, associates and joint ventures are disclosed in note 15.

Turnover

Turnover comprises rental income, service charge income receivable, income from property sales including first tranche sales, other services included at invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants relating to the year. All turnover arose in the United Kingdom.

Development for sale

Completed properties for outright sale and low cost home ownership and stock and work in progress are stated at the lower of cost less any capital grant received on low cost home ownership development and net realisable value. Costs comprise 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 disposals.

Housing properties and depreciation

Housing properties are stated at cost less the amount of grants received towards their cost and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties. Reinvestment expenditure is capitalised where works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the income and expenditure account. Donated land is treated as both a cost of land and grant received.

Freehold housing properties are depreciated over 80 to 125 years on a straight line basis. No depreciation is provided on freehold land. Housing properties in the course of construction are held at cost and are not depreciated, and are transferred to completed properties when ready for letting.

Leasehold housing properties are stated at cost and are depreciated on a straight line basis over the period of the lease.

Housing properties 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 the recoverable amount. Any such write down is charged to the income and expenditure account.

Financing costs

The costs of arranging new finance facilities are recorded as a deduction from the gross proceeds of the loan and subsequently written off over the term of the loan.

Capitalisation of interest and development administration costs

Interest incurred on borrowings to fund properties under construction is capitalised up to the date of completion of each scheme. The interest charged to housing properties is calculated based on the average borrowing rate of the Group.

Other costs directly attributable to bringing housing properties into working condition for their intended use are capitalised.

Low cost home ownership housing properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units to persons who occupy them at a share equal to between 25% and 75% of value. The occupier has the right to purchase further proportions at the then current valuation up to 100%.

Previously low cost home ownership properties were split between current and fixed assets on completion, treating the first tranche proportion as a current asset. In order to reflect best accounting practice, as indicated by SORP 2008, which the Group has yet to adopt, low cost home ownership properties are now split between current and fixed assets on initial recognition rather than on completion. This change of policy has been accounted for as a prior year adjustment. The related sale proceeds from the sale of the first tranche are included in turnover. The remaining element of the property ("staircasing element") is accounted for as a fixed asset and any subsequent tranche sale treated as a part disposal of a fixed asset. Social Housing Grant in respect of low cost home ownership properties is allocated against the fixed element of the low cost home ownership property and is treated as a deduction from fixed assets.

Subsequent tranches sold ("staircasing") are reflected in the income and expenditure as a surplus or deficit after the operating results. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit.

The fixed asset element of low cost home ownership properties is included in housing properties at cost less provisions needed for impairment. These properties are not depreciated on the basis that the expected realisable value at the end of the expected useful life to the Group is in excess of the historical cost.

Social housing grant

Social housing grant ("SHG") is receivable from the Housing Corporation and is utilised to reduce the capital cost of housing properties, including land cost. SHG due from the Housing Corporation 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 Housing Corporation. SHG released on sale of property may be repayable but is normally available to be recycled and credited to the Recycled Capital Grant Fund.

Recycled capital grant fund

The Group has the option to recycle capital grant (SHG) which would otherwise be repayable, for re-use on new developments. If unused within a three-year period, it will be repayable to the Housing Corporation with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Notes to the financial statements (Year ended 31 March 2008)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Other fixed assets and depreciation

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

Freehold office premises and commercial properties (excluding land)	$1\,{}^{2}/_{3}$%
Office improvements	15%
Office furniture and computer equipment	25%
Motor vehicles	25%
Key workers' furniture	25%
Tenants' furniture	$33\,{}^{1}/_{3}$%

Supported Housing Schemes

In addition to its own directly managed hostels, the Group owns a number of hostels which are run by outside agencies. The Group receives Supporting People Grant on behalf of some of these agencies. Where the Group carries the financial risk, for example, for losses from voids and rent arrears, all the hostel's income and expenditure is included in the income and expenditure account. Where the agencies carry the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group. Other income and expenditure of hostels in this category is excluded from the income and expenditure account.

The Group monitors these agencies and maintains the properties for which it receives a fee or retains a proportion of the revenue grants.

Investments

Listed investments are stated at their market value.

Investments in subsidiaries are stated at cost less provision for any impairment.

Joint ventures and associated undertakings are accounted for under the equity accounting method recognising the Group's share of the results and net assets on consolidation.

Provisions

Provisions are made to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts.

Arrears provisions are made and systematically reviewed on an ongoing basis taking into consideration current market conditions, historical write offs and other particular known factors which can affect recovery of the amounts.

The Group has an obligation under certain leases with landlords to make good dilapidations to properties under short leasehold for letting when they are handed back. The provision is based on the Group's estimated liability for dilapidation costs over the term of the lease.

Reserves

Revaluation reserve

The revaluation reserve comprises the unrealised surplus arising from the difference between the market value and the cost of quoted investments and housing properties owned by the joint ventures, which are treated as investment properties under SSAP 19.

Designated reserves

The Group maintains a number of designated reserves for specific purposes where considered appropriate. These designated reserves are not considered to carry significant restrictions in their usage.

Restricted reserve

Restricted funds relate to funds received by Genesis Community Foundation which has restrictions on its usage.

Goodwill

Negative goodwill arising on business combinations in respect of acquisitions represents the difference between the consideration given and the fair value of the net assets of the acquired subsidiary. It is included within reserves and released to the income and expenditure account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Leases

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

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

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

Retirement benefits

The Group participates in four pension schemes.

Defined benefit schemes

The assets are held separately from those of the Group. Pension scheme assets are measured using market values. Pension liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

The Social Housing Pension Scheme ("SHPS")

The Group participates in SHPS which is also a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged in the income and expenditure account represents the contributions payable to the scheme in respect of the financial year.

Money purchase scheme

The Group also participates in a defined contribution scheme where the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the financial year.

Notes to the financial statements (Year ended 31 March 2008)

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £m	Cost of sales £m	Operating costs £m	**2008 Operating surplus/ (deficit) £m**	Turnover £m	2007 Operating surplus/ (deficit) £m
Group						
Social housing lettings						
General housing	70.3	–	(44.2)	**26.1**	72.0	18.3
Temporary housing	73.0	–	(69.7)	**3.3**	81.8	6.0
Supported housing	18.2	–	(17.9)	**0.3**	17.3	(0.7)
Low cost home ownership housing	4.6	–	(1.9)	**2.7**	3.1	0.3
Key workers' accommodation	6.0	–	(4.0)	**2.0**	6.1	2.1
	172.1	–	(137.7)	**34.4**	180.3	26.0
Other social housing activities						
Low cost home ownership first tranche sales	38.4	(35.5)	(3.8)	**(0.9)**	19.2	1.2
Supporting people contract	0.5	–	(0.5)	**—**	0.7	–
Development administration	–	–	(2.6)	**(2.6)**	–	(1.3)
Non-social lettings	0.2	(0.2)	–	**—**	–	–
Other activities	6.5	(0.8)	(14.2)	**(8.5)**	6.3	(3.1)
	217.7	(36.5)	(158.8)	**22.4**	206.5	22.8
Company						
Other social housing activities						
Other activities	40.2	–	(39.3)	**0.9**	35.6	(1.4)

Notes to the financial statements (Year ended 31 March 2008)

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs	Temporary housing	Supported housing	Shared ownership housing	Key workers' accommodation	**Total 2008**	Total 2007
	£m	£m	£m	£m	£m	**£m**	£m
Group							
Turnover from social housing lettings							
Rents net of identifiable service charges	60.3	72.7	8.5	3.2	5.9	**150.6**	153.5
Service charges	3.3	–	4.8	1.3	–	**9.4**	7.9
Gross rental income	63.6	72.7	13.3	4.5	5.9	**160.0**	161.4
Rent and service charge losses from voids	(0.4)	(2.3)	(0.3)	–	(0.2)	**(3.2)**	(4.0)
Net rental income	63.2	70.4	13.0	4.5	5.7	**156.8**	157.4
Management fees receivable	6.8	2.0	–	0.1	0.3	**9.2**	17.2
Supported people grant	–	–	3.9	–	–	**3.9**	3.8
Grants from local authorities and other agencies	–	–	1.1	–	–	**1.1**	0.9
Other income	0.3	0.6	0.2	–	–	**1.1**	1.0
Total turnover from social housing lettings	70.3	73.0	18.2	4.6	6.0	**172.1**	180.3
Operating costs on social housing lettings							
Housing management	(17.4)	(8.8)	(4.1)	(0.8)	(2.4)	**(33.5)**	(41.0)
Care and support	(0.2)	–	(3.5)	–	–	**(3.7)**	(3.9)
Service charges	(3.8)	–	(4.7)	(0.9)	–	**(9.4)**	(8.4)
Routine maintenance	(8.2)	(4.8)	(1.5)	(0.1)	(0.5)	**(15.1)**	(14.8)
Planned maintenance	(3.8)	(0.2)	(0.2)	–	(0.1)	**(4.3)**	(4.2)
Major repairs expenditure	(7.6)	–	(2.9)	(0.1)	–	**(10.6)**	(14.9)
Rent losses from bad debts	(0.8)	(0.8)	(0.1)	–	–	**(1.7)**	(2.2)
Landlords' rents	(0.1)	(55.7)	(0.1)	–	–	**(55.9)**	(62.0)
Property depreciation and amortisation	(2.3)	–	(0.8)	–	(1.0)	**(4.1)**	(3.6)
Dilapidations	–	1.1	–	–	–	**1.1**	0.7
Tax provision	–	(0.5)	–	–	–	**(0.5)**	–
Total operating costs on social housing lettings	(44.2)	(69.7)	(17.9)	(1.9)	(4.0)	**(137.7)**	(154.3)
Operating surplus	26.1	3.3	0.3	2.7	2.0	**34.4**	26.0

Notes to the financial statements (Year ended 31 March 2008)

4. DIRECTORS' EMOLUMENTS AND EXPENSES

The directors are defined as the Board Members, the Group Chief Executive and the Executive Officers.

The emoluments of the directors were as follows:	**Group 2008 £'000**	Group 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
Total emoluments payable to the directors (including pension contributions and benefits in kind)	**1,066**	1,010	**953**	938
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)				
Basic salary	**190**	180	**190**	180
Performance bonus	**10**	30	**10**	30
Benefits in kind	**–**	–	**–**	–
Total expenses reimbursed to the Board members not chargeable to United Kingdom income tax	**2**	4	**2**	4

The Group Chief Executive is a member of the Group's pension scheme operated by Scottish Widows plc and can retire at the age of 60, instead of the standard retirement age of 65. Any additional cost arising from this benefit will be met by Genesis Housing Group Limited.

5. EMPLOYEE INFORMATION

	Group 2008 No.	Group 2007 No.	**Company 2008 No.**	Company 2007 No.
Average monthly number of full-time equivalent employees	**1,112**	1,156	**731**	768

Staff costs (for the above persons)	**Group 2008 £m**	Group 2007 £m	**Company 2008 £m**	Company 2007 £m
Wages and salaries	**30.8**	31.8	**21.7**	22.2
Social security costs	**2.8**	2.9	**2.1**	2.2
Employees insurance costs	**0.1**	0.1	**0.1**	0.1
Pension costs	**1.4**	1.5	**0.9**	0.9
	35.1	36.3	**24.8**	25.4

Notes to the financial statements (Year ended 31 March 2008)

6. SURPLUS ON SALE OF PROPERTIES

	Other property sales £m	Property staircasing ownership sales £m	**Total 2008 £m**	Total 2007 £m
Group				
Cost of sales	(19.1)	(1.9)	**(21.0)**	(6.4)
Miscellaneous sales costs		–	–	(1.4)
	(19.1)	(1.9)	**(21.0)**	(7.8)
Proceeds	35.0	4.3	**39.3**	22.7
Surplus on sale	15.9	2.4	18.3	14.9
Share of joint ventures				
Surplus on sale	0.9	–	**0.9**	0.7

The above sales are in respect of low cost home ownership housing properties and other disposals of properties which are not viable for long term retention or investment.

7. INCOME FROM INVESTMENTS

Group	**2008 £m**	2007 £m
Income from joint ventures	**0.5**	–

8. INTEREST RECEIVABLE

	Group 2008 £m	Group 2007 £m	**Company 2008 £m**	Company 2007 £m
Bank interest	**0.8**	3.1	–	–
Loan amortisation on consolidation	**0.9**	2.1	–	–
Other interest	**2.1**	–	–	–
	3.8	5.2	–	–
Share of joint ventures	**0.2**	0.1	–	–

Notes to the financial statements (Year ended 31 March 2008)

9. OTHER FINANCE INCOME

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Expected return on pension scheme assets	**2.4**	2.1	**2.4**	2.1
Interest on pension scheme liabilities	**(2.0)**	(1.8)	**(2.0)**	(1.8)
	0.4	0.3	**0.4**	0.3

10. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
On bank loans, overdrafts and other loans	**52.7**	42.5	–	–
Loan breakage costs	–	1.2	–	–
	52.7	43.7	–	–
Less: Capitalised in housing properties	**(24.1)**	(13.1)	–	–
Amortisation of loan costs	**1.0**	0.9	–	–
	29.6	31.5	–	–
Share of joint ventures				
On bank loans, overdrafts and other loans	**10.5**	8.8	–	–

11. SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
This is stated after charging:				
Housing properties				
– Depreciation	**4.2**	3.6	–	–
– Impairment	**4.1**	–	–	–
Housing properties and stock for sale-impairment	**1.7**	–	–	–
Other fixed asset depreciation	**1.3**	1.3	**0.6**	0.6
Operating lease rentals				
Land and buildings	**57.0**	63.2	**1.2**	1.2
Amounts receivable by the auditors and their associates in respect of:				
Statutory audit of parent and consolidated financial statements and audit of financial statements of subsidiaries pursuant to legislation*	**0.2**	0.2	**0.2**	0.2
Other services relating to taxation	–	–	–	–

The Company incurs the audit fees for all Group companies which is then recharged to subsidiaries.
* Includes £15,000 (2007: £7,600) in respect of Genesis Housing Group Limited.

Notes to the financial statements (Year ended 31 March 2008)

12. TAXATION

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
United Kingdom corporation tax (Group and Company rates are 30% in both periods) based on the surplus for the year	–	–	–	–
Adjustment in respect of prior years	(0.1)	–	(0.1)	–
Current tax	(0.1)	–	(0.1)	–
Deferred tax:				
Origination of timing differences	(1.0)	(1.8)	–	–
	(1.1)	(1.8)	(0.1)	–

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom of 30% for the Group and for the Company in both years. The differences are explained below:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Profit on ordinary activities before tax	10.9	5.8	1.3	(1.1)
Corporation tax at 30% thereon	3.3	1.7	0.4	(0.3)
Effects of:				
Expenses not deductible for tax purposes	0.6	0.2	0.1	0.5
Adjustment – pension contributions	(0.1)	–	(0.2)	–
Depreciation in excess of capital allowances	–	(0.1)	–	(0.2)
Capital allowance in excess of depreciation	(0.1)	–	(0.1)	–
Surplus covered by charitable exemption	(5.2)	(1.6)	–	–
Utilisation of tax losses	–	(0.2)	(0.2)	–
Unutilised losses carried forward	1.5	–	–	–
Adjustment in respect of prior years	(0.1)	–	(0.1)	–
	(0.1)	–	(0.1)	–

A deferred tax asset of £2.9m (2007: £2.1m) has been recognised in respect of tax losses in joint ventures which are anticipated to be profitable in the foreseeable future.

Notes to the financial statements (Year ended 31 March 2008)

13. HOUSING PROPERTIES

	Housing properties held for letting £m	Housing properties under construction £m	Short leasehold held for letting £m	Shared ownership housing properties £m	Shared ownership properties under construction £m	**Total £m**
Group						
Cost						
At 1 April 2007 (as previously stated)	1,156.2	276.1	1.8	107.7	110.9	**1,652.7**
Prior year adjustment (see below)	–	–	–	–	(44.4)	**(44.4)**
As restated	1,156.2	276.1	1.8	107.7	66.5	**1,608.3**
Additions	16.1	255.1	–	–	164.7	**435.9**
Transfers	67.8	(69.3)	–	78.5	(77.0)	**—**
Transfer to current assets	–	–	–	(32.1)	(37.2)	**(69.3)**
Disposals	(14.4)	(5.3)	(0.2)	(1.9)	–	**(21.8)**
At 31 March 2008	1,225.7	456.6	1.6	152.2	117.0	**1,953.1**
Capital grant						
At 1 April 2007	592.0	83.1	0.7	66.5	22.6	**764.9**
Received during the year	3.3	62.5	–	–	6.1	**71.9**
Discounted land value	4.7	(4.7)	–	–	–	**—**
Disposals	(4.9)	2.6	–	–	(0.4)	**(2.7)**
Transfers	12.4	(12.4)	–	8.5	(8.5)	**—**
At 31 March 2008	607.5	131.1	0.7	75.0	19.8	**834.1**
Depreciation						
At 1 April 2007	19.4	–	0.3	–	–	**19.7**
Charge for year	4.2	–	–	–	–	**4.2**
Impairments	–	4.1	–	–	–	**4.1**
Eliminated on disposal	(0.3)	–	(0.2)	–	–	**(0.5)**
At 31 March 2008	23.3	4.1	0.1	–	–	**27.5**
Net book value						
At 31 March 2008	**594.9**	**321.4**	**0.8**	**77.2**	**97.2**	**1,091.5**
At 31 March 2007	544.8	193.0	0.8	41.2	43.9	**823.7**

Prior year adjustment:

Previously low cost home ownership properties were split between current and fixed assets on completion, treating the first tranche proportion as a current asset. In order to reflect best accounting practice, as indicated by SORP 2008, which the Group has yet to adopt, low cost home ownership properties are now split between current and fixed assets on initial recognition rather than on completion. This change of policy has been accounted for as a prior year adjustment.

This has had the impact of reducing fixed assets by £44.4m and increasing current assets by £44.4m (note 16).

Notes to the financial statements (Year ended 31 March 2008)

13. HOUSING PROPERTIES (continued)

Group (continued)

Additions to housing properties and work in progress during the year included capitalised interest of £24.1m (2007: £13.1m) at an average rate of 5.99% (2007: 5.99%).

	2008 £m	2007 (restated) £m
The net book value of housing properties comprises:		
Freeholds	**1,033.6**	772.9
Leaseholds	**57.9**	50.8
	1,091.5	823.7

None of the capital grants have been credited to the income and expenditure account.

	2008 £m	2007 £m
Spend on major repairs	**16.1**	22.9
Capitalised	**(5.5)**	(8.0)
Expensed through the income and expenditure account	**10.6**	14.9

Notes to the financial statements (Year ended 31 March 2008)

14. OTHER FIXED ASSETS

	Commercial properties	Freehold office premises	Office improvements	Motor vehicles	Office furniture and computer equipment	Key workers' furniture	Tenants' furniture	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Group								
Cost								
At 1 April 2007	1.5	7.3	3.3	0.2	9.0	0.8	1.0	**23.1**
Additions	1.2	–	–	–	2.1	–	0.5	**3.8**
Disposals	–	(0.1)	(0.1)	–	(6.0)	–	–	**(6.2)**
At 31 March 2008	2.7	7.2	3.2	0.2	5.1	0.8	1.5	**20.7**
Depreciation								
At 1 April 2007	0.1	1.2	1.2	0.2	7.1	0.6	0.5	**10.9**
Charge for year	–	0.1	0.3	–	0.6	0.1	0.2	**1.3**
Disposals	–	–	(0.1)	–	(5.9)	–	–	**(6.0)**
At 31 March 2008	0.1	1.3	1.4	0.2	1.8	0.7	0.7	**6.2**
Net book value								
At 31 March 2008	**2.6**	**5.9**	**1.8**	**—**	**3.3**	**0.1**	**0.8**	**14.5**
At 31 March 2007	1.4	6.0	2.1	–	1.9	0.2	0.6	**12.2**

Notes to the financial statements (Year ended 31 March 2008)

14. OTHER FIXED ASSETS (continued)

	Office improvements £m	Office furniture and computer equipment £m	**Total £m**
Company			
Cost			
At 1 April 2007	2.7	6.5	**9.2**
Additions	–	2.1	**2.1**
Disposals	–	(4.7)	**(4.7)**
At 31 March 2008	2.7	3.9	**6.6**
Depreciation			
At 1 April 2007	0.7	5.2	**5.9**
Charge for year	0.2	0.4	**0.6**
Disposals	–	(4.7)	**(4.7)**
At 31 March 2008	0.9	0.9	**1.8**
Net book value			
At 31 March 2008	**1.8**	**3.0**	**4.8**
At 31 March 2007	2.0	1.3	**3.3**

Notes to the financial statements (Year ended 31 March 2008)

15. INVESTMENTS

a) Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have been included in the consolidated accounts.

Name	Legislative provisions	Proportion of voting rights of ordinary share capital held	Nature of business
1. Paddington Churches Housing Association Limited (PCHA)	Industrial & Provident Societies Act 1965 No. 17210R	Nil – managed on a unified basis	Registered social landlord
2. PCHA Building Services Limited*	Companies Act 1985 No. 2492059	100%	Dormant
3. PCHA Management Services Limited*	Companies Act 1985 No. 2223689	100%	Dormant
4. Cymbeline Court Residents Association Limited*	Companies Act 1985 No. 2547346	100%	Dormant
5. European Urban St Pancras 2 Limited*	Companies Act 1985 No. 5147122	100%	Property management
6. Pathmeads Housing Association Limited	Industrial & Provident Societies Act 1965 No. 20405R	Nil – managed on a unified basis	Registered social landlord
7. Pathmeads Residential Limited*	Companies Act 1985 No. 2927849	100%	Property management
8. Springboard Housing Association Limited	Industrial & Provident Societies Act 1965 No. 20015R	Nil – managed on a unified basis	Registered social landlord
9. Springboard 2 Housing Association Limited*	Industrial & Provident Societies Act 1965 No. 23788R	Nil – managed on a unified basis	Registered social landlord
10. Genesis Community Foundation	Companies Act 1985 No. 05350679 Charity No. 1109918	100%	Charity – social regeneration
11. Genfinance Limited	Companies Act 1985 No. 5281433	100%	Treasury
12. Geninvest Limited	Companies Act 1985 No. 5311051	100%	Non-regulated investments
13. Genesis Purchasing Limited	Companies Act 1985 No. 5713741	100%	Procurement
14. Larden New Homes Limited*	Companies Act 1985 No. 5730330	100%	Acquisition and development of site at Larden Road
15. Central Chelmsford Development Agency Limited*	Companies Act 1985 No. 05852493	100%	Property development and investment
16. Stoke Quay New Homes Limited*	Companies Act 1985 No. 06196157	100%	Property development and investment
17. Choices for Grahame Park Limited*	Companies Act 1985 No. 5303074	100%	Acquisition and development of site at Grahame Park
18. Pathmeads Property Services Limited*	Companies Act 1985 No. 5963185	100%	Property repairs and maintenance
19. Genesis Homes Developments LLP*	Companies Act 1985 No. OC333483	100%	Dormant

* held indirectly

The Company maintains a controlling interest over the subsidiaries through agreements within the Rules of each of the RSL subsidiaries and/or by holding Declarations of Trust signed by a majority of the shareholders of the RSL subsidiaries in favour of the parent.

Notes to the financial statements (Year ended 31 March 2008)

15. INVESTMENTS (continued)

b) Associated undertakings

Name	Legislative provisions	Proportion of voting rights of ordinary share capital held	Nature of business
1. Logic Homes Limited	Companies Act 1985 No. 5225956	12.5%	Joint venture with house builders and architects
2. Low C Living Limited	Companies Act 1985 No. 6303491	33.3%	Property development

c) Joint ventures

Name	Legislative provisions	Proportion of voting rights of ordinary share capital held	Nature of business
1. Grainger Geninvest LLP	Companies Act 1985 No. OC312947	50%	Joint venture between Geninvest Limited and BPT (Residential Investments) Limited, a wholly owned subsidiary of Grainger plc
2. Grainger Geninvest No. 2 (2006) LLP	Companies Act 1985 No. OC317919	50%	Joint venture between Geninvest Limited and Grainger (Octavia Hill) Limited, a wholly owned subsidiary of Grainger plc
3. Gentect Ridgemond Park LLP	Companies Act 1985 No. OC314057	25%	Joint venture between Geninvest Limited and Hill Partnerships Limited
4. Quintessential Homes (Wembley) LLP	Companies Act 1985 No. OC3954411	25%	Joint venture between Geninvest Limited, Family Housing Association and two subsidiaries of Quintain Limited
5. Bishopsgate Apartments LLP	Companies Act 1985 No. OC323610	50%	Joint venture between Geninvest Limited and Telfords plc

	£m
Group	
Share of assets	
Share of fixed assets	**190.0**
Share of current assets	**20.5**
	210.5
Share of liabilities	
Liabilities due within one year or less	**(15.2)**
Liabilities due after more than one year	**(155.2)**
Share of net assets	**40.1**

The following joint ventures do not have co-terminus year ends with the Group:

Grainger Geninvest LLP	30 September
Grainger Geninvest No. 2 (2006) LLP	30 September

Notes to the financial statements (Year ended 31 March 2008)

d) Listed investments at market value

	2008 £m	2007 £m
Group		
At 1 April 2007	**1.3**	1.2
Net (losses)/gains	**(0.2)**	0.1
At 31 March 2008	**1.1**	1.3

e) Current asset investments

	2008 £m	2007 £m
Group		
At 1 April 2007	**7.3**	6.9
Additions	**0.5**	0.4
At 31 March 2008	**7.8**	7.3

16. HOUSING PROPERTIES AND STOCK FOR SALE

	2008 £m	2007 (restated – see note 13) £m
Group		
Low cost home ownership properties – for sale	**8.7**	10.2
Low cost home ownership properties – under construction	**81.0**	44.4
Outright sale properties – under construction	**54.1**	–
Other	**15.4**	0.4
	159.2	55.0
Less impairment	(1.7)	–
	157.5	55.0

Notes to the financial statements (Year ended 31 March 2008)

17. DEBTORS

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Amounts receivable within one year:				
Rent and service charge arrears	19.9	16.4	–	–
Provision for bad and doubtful debts	(7.6)	(6.2)	–	–
	12.3	10.2	–	–
Amounts due from Group undertakings	–	–	85.5	36.8
Amounts due from joint ventures	21.1	3.7	1.9	1.2
Amounts due from local authorities	5.6	5.6	–	–
Trade debtors	4.1	0.7	–	–
Other debtors	46.8	47.3	0.2	0.7
Prepayments and accrued income	1.6	0.6	1.0	–
	91.5	68.1	88.6	38.7

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Amounts receivable after more than one year:				
Prepayments and accrued income	2.0	1.9	–	–
Deferred tax	2.9	2.1	–	–
Other debtors	0.1	0.2	–	–
Pension debtor	0.1	0.6	0.2	0.6
Loan to related parties	15.3	19.5	–	–
	20.4	24. 3	0.2	0.6

Included in prepayments and accrued income are amounts relating to properties, purchased with index-linked loans which are linked to the retail price index, and leased to local authorities at market rents. While the Group expects the rents receivable to match the cost of indexation the local authorities have guaranteed to meet any deficiency arising. Accordingly, an estimate of the guaranteed rental income, based on income and expenditure projections, has been accrued and shown as a deferred asset on the balance sheet. The maximum amount that is accrued at any time represents the difference between the original value of the loan and the indexed value at the balance sheet date. The guaranteed rental income will be written off over the term of the respective loans.

	2008 £m	2007 £m
Deferred tax		
In respect of tax losses		
At beginning of year	2.1	0.3
Credit to the income and expenditure account for the year (net)	0.8	1.8
At end of year	2.9	2.1

Notes to the financial statements (Year ended 31 March 2008)

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Housing loans (see note 19a)	**2.6**	1.0	–	–
Guaranteed non-recourse housing loans (see note 19b)	**2.3**	1.5	–	–
Total housing loans	**4.9**	2.5	–	–
Bank overdraft	**19.1**	0.3	**19.1**	0.3
Trade creditors	**8.8**	26.8	**3.5**	14.6
Accruals and deferred income	**24.0**	14.4	–	–
Amounts due to joint ventures	**18.3**	1.4	–	0.2
Other creditors	**21.0**	16.3	**0.8**	–
Other taxes and social security	**0.8**	1.5	**0.7**	1.3
Capital grant recycling fund	**2.0**	3.1	–	–
Amounts due to subsidiary undertakings	–	–	**69.1**	26.3
	98.9	66.3	**93.2**	42.7

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

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Housing loans (see (a) below)	**1,100.2**	765.9	–	–
Guaranteed non-recourse housing loans (see (b) below)	**7.6**	9.3	–	–
Total housing loans	**1,107.8**	775.2	–	–
Capital grant recycling fund	**7.6**	5.7	–	–
Service charges replacement fund	–	1.2	–	–
Disposal proceeds fund in respect of right to acquire sales	**2.9**	1.8	–	–
Cyclical and major repairs fund	**3.6**	2.8	–	–
Other creditors	**17.0**	0.8	**0.6**	0.8
	1,138.9	787.5	**0.6**	0.8

The loans that are subject to fixed or index-linked interest rates make up 84.4% of the total loan book and the interest rates are between 4.1% and 11.5% at 31 March 2008. The loans that are subject to variable interest rates make up 15.6% of the total loan book and the interest rates are between 5.8% and 7.0% at 31 March 2008.

Notes to the financial statements (Year ended 31 March 2008)

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

a) Housing loans

Housing loans from local authorities, building societies and other lending institutions are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest as follows:

	2008 £m	2007 £m
Group		
Between one and two years	**21.1**	2.4
Between two and five years	**129.2**	14.0
In five or more years	**951.6**	748.7
	1,101.9	765.1
In one year or less	**2.6**	1.0
	1,104.5	766.1
Loan costs – unamortised	**(5.0)**	(2.9)
Loan premium	**3.3**	3.7
At end of year	**1,102.8**	766.9

An analysis of the above between housing loans repayable by instalments and not by instalments is as follows:

	2008 £m	2007 £m
Group		
Repayable by instalments		
Between one and two years	**21.1**	2.4
Between two and five years	**129.2**	14.0
In five or more years	**898.8**	712.9
	1,049.1	729.3
In one year or less	**2.6**	1.0
At end of year	**1,051.7**	730.3
Not repayable by instalments		
In five or more years	**52.8**	35.8
Loan costs – unamortised	**(5.0)**	(2.9)
Loan premium	**3.3**	3.7
At end of year	**1,102.8**	766.9

Notes to the financial statements (Year ended 31 March 2008)

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

b) Guaranteed non-recourse housing loans

These loans have been guaranteed by local authorities and relate to specific properties. The loans are all index-linked, and the rental stream from the local authorities is guaranteed by the local authorities to cover loan and interest payments (see also note 17). The loans are secured by fixed charges on the properties concerned and are repayable by instalments as follows:

	2008 £m	2007 £m
Group		
Between one and two years	**2.6**	2.1
Between two and five years	**0.5**	2.6
In five or more years	**4.5**	4.6
	7.6	9.3
In one year or less	**2.3**	1.5
At end of year	**9.9**	10.8

20. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided in the accounts are as follows:

	At 1 April 2007 £m	Credit to income and expenditure account £m	**At 31 March 2008 £m**
Group			
Provision for dilapidations	5.7	(1.1)	**4.6**

21. SHARE CAPITAL

	2008 No.	2007 No.
Company		
At beginning and end of year	**57**	57

The Company is limited by guarantee and registered under the Companies Act 1985. In the event of winding up, members' liability is limited to the guarantee of £1.

Notes to the financial statements (Year ended 31 March 2008)

22. NEGATIVE GOODWILL

The negative goodwill is amortised over the remaining useful lives of the underlying housing properties being 100 years.

	Goodwill £m
Group	
Acquisition of Springboard Housing Association Limited	
At 1 April 2007 and 31 March 2008	38.5
Amortisation	
At 1 April 2007	1.2
Amortised in the year	0.4
At 31 March 2008	1.6
Net book value	
At 31 March 2008	36.9
At 31 March 2007	37.3

Notes to the financial statements (Year ended 31 March 2008)

23. RESERVES

	Revenue reserves £m	Revaluation reserve (investment properties) £m	Designated reserves £m	Restricted reserves £m	**Total £m**
Group					
At 1 April 2007	104.2	16.2	7.4	1.3	**129.1**
Transfer from/(to) revenue reserves	0.1	(0.5)	(0.1)	0.5	–
Surplus/(deficit) for year	12.0	–	–	(0.7)	**11.3**
Unrealised revaluation gain on investment properties	–	22.1	–	–	**22.1**
Actuarial loss recognised in the pension schemes	(2.9)	–	–	–	**(2.9)**
At 31 March 2008	**113.4**	**37.8**	**7.3**	**1.1**	**159.6**
Company					
At 1 April 2007	(1.7)	–	–	–	**(1.7)**
Surplus for the year	1.4	–	–	–	**1.4**
Actuarial loss recognised in the pension schemes	(2.9)	–	–	–	**(2.9)**
At 31 March 2008	**(3.2)**	–	–	–	**(3.2)**

	2008 £m	2007 £m
Designated reserves		
Major repairs reserve	**5.5**	5.6
Self insurance reserve	**0.8**	0.8
Development reserve	**1.0**	1.0
	7.3	7.4

Major repairs reserve: A reserve fund has been set up designated for repairs to properties, mainly to fund major repairs for those schemes for which grant is not available. Appropriate amounts are transferred from this reserve to the revenue reserves to cover major repairs costs incurred.

Self insurance reserve: Reflecting the fact that a group entity, PCHA, has a higher than customary level of excess on insurance, this reserve is maintained to cover the possible cost of any unforeseen claims which fall within the policy excess amount.

Development reserve: Under the terms of agreements with the London Boroughs of Camden and Brent, index-linked loans have been raised for the purchase and development of three schemes. These properties have been leased back to the London Boroughs of Camden and Brent for variable rents which the Councils guarantee to be sufficient to finance the mortgage repayments and related management costs. In exchange for these guarantees, PCHA is committed to using any surplus funds arising from the development of the schemes for the benefit of other properties owned by PCHA within the boundaries of the London Boroughs of Camden and Brent. For this reason such funds are shown as a separate development reserve.

Restricted reserves

Restricted reserves relate to funds received by Genesis Community Foundation which has restrictions on its usage.

Notes to the financial statements (Year ended 31 March 2008)

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

	2008 £m	2007 £m
Group		
Operating surplus	**22.4**	22.8
Depreciation	**9.6**	5.0
Change in properties and stock for sale	**(32.9)**	16.7
Change in debtors	**(3.3)**	(11.6)
Change in creditors	**19.0**	11.1
Change in dilapidation provision	**(1.1)**	(0.7)
Adjustment for pension funding	**0.2**	0.3
Movement on reserves	**(0.7)**	–
Amortisation of negative goodwill	**(0.4)**	(0.4)
Net cash inflow from operating activities	**12.8**	43.2

25. RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) TO MOVEMENT IN NET DEBT

	2008 £m	2007 £m
Group		
(Decrease)/increase in cash in the year	**(17.0)**	16.2
Cash inflow from increase in debt	**(335.3)**	(128.4)
Cash outflow from management of liquid resources	**0.5**	0.4
Change in net debt resulting from cash flows	**(351.8)**	(111.8)
Non-cash transactions	**—**	1.6
Movement in net debt in the year	**(351.8)**	(110.2)
Net debt at 1 April	**(755.1)**	(644.9)
Net debt at 31 March	**(1,106.9)**	(755.1)

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2007 £m	Cash flow £m	Other changes £m	**At 31 March 2008 £m**
Group				
Cash at bank and in hand	15.7	1.8	–	**17.5**
Overdraft	(0.3)	(18.8)	–	**(19.1)**
	15.4	(17.0)	–	**(1.6)**
Current asset investments	7.3	0.5	–	**7.8**
Debt due within one year	(2.5)	2.5	(4.9)	**(4.9)**
Debt due after one year	(775.2)	(337.9)	4.9	**(1,108.2)**
Finance leases	(0.1)	0.1	–	**—**
	(755.1)	(351.8)	–	**(1,106.9)**

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS

During the year the Group was involved with four pension schemes.

Genesis Housing Group operated two schemes:

a) A scheme which is closed to new employees with effect from 1 June 1996, which is a defined benefits scheme (the PCHA 2001 Pension Scheme) with Scottish Widows plc. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 1 June 2007. At that date, the funding level was 89.5% with a past service deficit of £3.7m. The trustees have agreed a Statement of Funding Principles for a future service contribution rate of 29.9% (representing contributions of both employees and employer) and an annual contribution of £412,000 over a period of 10 years to fund the past service deficit. Various options are being reviewed regarding this Scheme in order to limit the future liability of the Group.

The Group contributions to the scheme amounted to £239,000 (2007: £275,000).

b) A scheme, open to all employees starting from 1 June 1996, which is a money purchase scheme with AXA into which the employee and the Group each contribute between 3.5% and 7.5% of salary dependent on length of service. Employees in this scheme are contracted into the State Earnings Related Pension Scheme.

The charge to the Group for the year was £493,000 (2007: £304,000).

In addition, Genesis Housing Group participated in the following two schemes:

c) A defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. The last actuarial valuation was at 31 March 2007, with the next formal triennial valuation due as at 31 March 2010, and is based on the projected unit method. The Group contributions to the London Pensions Fund Authority Scheme ("LPFA") for two groups of staff amounted to £107,000 (2007: £232,000).

d) The Social Housing Pension Scheme ("SHPS"), which is a multi-employer defined benefit scheme including Genesis Housing Group Limited and Springboard Housing Association Limited. The Scheme is funded and is contracted out of the state scheme.

Social Housing Pension Scheme ("SHPS")

SHPS is a multi-employer-defined benefit scheme. Employer participation in the scheme is subject to adherence to the employer responsibilities and obligations as set out in the *SHPS House Policies and Rules Employer Guide*. The scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From 1 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 may elect to operate different benefit structures for its active members (as at the first day of April in any given year) and its 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. Genesis Housing Group has elected to operate the career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 1 April 2008.

The Trustee commissions an actuarial valuation of the scheme every three 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.

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 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 with reference to the expected future investment returns. During the accounting period Genesis and Springboard paid contributions at the rate of 14.7%. Member contributions varied between 3.1% and 6.1% of pensionable salaries depending on their age.

As at the balance sheet date there were 134 active members of the Scheme employed by the Group. The Group has closed the Scheme to new entrants.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable. The Group contributions to the scheme amounted to £559,000 (2007: £620,000).

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the projected unit method. The market value of the Scheme's assets at the valuation date was £1,278m. The valuation revealed a shortfall of assets compared to liabilities of £283m, equivalent to a past service funding level of 82%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760m and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209m, equivalent to a past service funding level of 89%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the scheme have been determined by reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2005.

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS (continued)

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% per annum
Investment return pre-retirement	7.2
Investment return post-retirement	4.8
Rate of salary increases to 30 September 2010	5.0
Rate of salary increases from 1 October 2010	4.0
Rate of pension increases	2.5
Rate of price inflation	2.5

Employers that have closed the Scheme to new entrants, including Genesis Housing Group Limited and Springboard Housing Association Limited, are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. The next full actuarial valuation will be carried out as at 30 September 2008.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS (continued)

The PCHA 2001 Pension Scheme

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March under FRS 17 are:

	2008 % per annum	2007 % per annum	2006 % per annum
Rate of increase in salaries	**4.50**	4.50	4.00
Discount rate	**5.75**	5.50	5.10
Inflation assumptions	**3.50**	3.50	3.00
Valuation method	**projected unit**	projected unit	projected unit

The assets in the Scheme and expected rates of return were:

	Expected long-term rate of return 2008 (%)	**Value at 31 March 2008 £m**	Expected long-term rate of return 2007 (%)	Value at 31 March 2007 £m	Expected long-term rate of return 2006 (%)	Value at 31 March 2006 £m
Equities	**7.31**	**18.0**	7.21	19.4	7.12	15.4
Bonds	**5.00**	**8.7**	5.00	8.3	4.50	8.3
Properties	**6.00**	**1.9**	6.00	2.3	6.00	1.8
Cash	**5.00**	**0.4**	5.25	0.3	4.50	3.2
Total market value of assets		**29.0**		30.3		28.7

The net surplus/(deficit) was:

	At 31 March 2008 £m	At 31 March 2007 £m	At 31 March 2006 £m
Total market value of assets	**28.9**	30.3	28.7
Present value of liabilities	**(31.9)**	(29.7)	(28.5)
(Deficit)/surplus in the scheme	**(3.0)**	0.6	0.2

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS (continued)

London Pensions Fund Authority ("LPFA")

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March under FRS 17 are:

	2008 % per annum	2007 % per annum	2006 % per annum
Rate of increase in salaries	**5.1**	4.7	4.6
Discount rate	**6.9**	5.4	4.9
Inflation assumptions	**3.6**	3.2	3.1
Valuation method	**projected unit**	projected unit	projected unit

The assets in the LPFA Scheme and expected rates of return were:

	Expected long-term rate of return 2008 (%)	**Value at 31 March 2008 £m**	Expected long-term rate of return 2007 (%)	Value at 31 March 2007 £m	Expected long-term rate of return 2006 (%)	Value at 31 March 2006 £m
Equities	**7.5**	**4.7**	7.7	3.6	7.3	3.2
Target return funds	**6.3**	**1.5**	6.4	1.3	6.0	1.0
Cash	**4.8**	**0.2**	4.9	0.2	4.6	0.3
Alternative assets	**6.7**	**1.4**	6.8	0.7	6.5	0.6
Total market value of assets		**7.8**		5.8		5.1

The net surplus/(deficit) was:

	At 31 March 2008 £m	At 31 March 2007 £m	At 31 March 2006 £m
Total market value of assets	**7.8**	5.7	5.1
Present value of liabilities	**(7.7)**	(6.5)	(6.3)
Surplus/(deficit) in the scheme	**0.1**	(0.8)	(1.2)

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS (continued)

	PCHA "2001" scheme 2008 £m	**LPFA 2008 £m**	PCHA "2001" scheme 2007 £m	LPFA 2007 £m
Analysis of the amount charged to operating surplus				
Current service cost	**(0.4)**	**(0.1)**	(0.4)	(0.3)
Analysis of the amount credited/(charged) to net finance income/(charges)				
Expected return on pension scheme assets	**2.0**	**0.4**	1.8	0.3
Interest on pension scheme liabilities	**(1.7)**	**(0.3)**	(1.5)	(0.3)
	0.3	**0.1**	0.3	–
Analysis of the actuarial surplus/(deficit) in the statement of total recognised surpluses and deficits				
Actual return less expected return on pension scheme assets	**(3.3)**	**(0.5)**	(0.3)	0.1
Experience surpluses and deficits arising on the scheme liabilities	**0.9**	**0.1**	(0.2)	–
Changes in assumptions underlying the present value of the scheme liabilities	**(1.3)**	**1.2**	0.8	0.5
	(3.7)	**0.8**	0.3	0.6
Movement in scheme surplus/(deficit) during the year				
At beginning of year	**0.6**	**(0.8)**	0.1	(1.1)
Current service cost	**(0.4)**	**(0.1)**	(0.4)	(0.3)
Contributions	**0.2**	**0.1**	0.3	0.2
Settlements and curtailments	**—**	**—**	–	(0.1)
Net financial income	**0.3**	**0.1**	0.3	–
Actuarial (loss)/gain	**(3.7)**	**0.8**	0.3	0.5
At end of year	**(3.0)**	**0.1**	0.6	(0.8)

Notes to the financial statements (Year ended 31 March 2008)

27. PENSION COSTS (continued)

PCHA "2001" scheme

History of experience surpluses and deficits for the year	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Difference between the expected and actual return on scheme assets:	**(3.3)**	(0.3)	3.6	3.3	2.4
Market value of scheme assets	**28.9**	30.3	28.7	23.1	18.6
Percentage of scheme assets	**(11.0%)**	(0.8%)	12.6%	14.3%	12.6%
Experience surpluses/(deficits) on scheme liabilities:	**0.9**	(0.3)	(0.3)	1.5	–
Present value of scheme liabilities	**31.9**	29.7	28.5	24.3	21.5
Percentage of the present value of scheme liabilities	**(3.0%)**	(0.8%)	(1.1%)	6.1%	0.0%
Total actuarial surpluses/(deficits) in the statement of total recognised gains and losses:	**(3.7)**	0.3	0.9	2.0	1.5
Present value of scheme liabilities	**31.9**	29.7	28.5	24.3	21.5
Percentage of the present value of scheme liabilities	**(12.0%)**	0.9%	3.1%	8.0%	7.1%

LPFA

History of experience surpluses and deficits for the year	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Difference between the expected and actual return on scheme assets:	**(0.5)**	0.1	0.7	0.1	0.3
Market value of scheme assets	**7.8**	5.7	5.1	3.9	2.1
Percentage of scheme assets	**(6.8%)**	0.9%	12.8%	2.7%	12.4%
Experience surpluses/(deficits) on scheme liabilities:	**0.1**	–	–	(0.2)	–
Present value of scheme liabilities	**7.1**	6.5	6.3	4.9	2.7
Percentage of the present value of scheme liabilities	**1.3%**	(0.1%)	–	(3.3%)	(0.3%)
Total actuarial surpluses/(deficits) in the statement of total recognised gains and losses:	**0.8**	0.6	(0.2)	(0.2)	0.1
Present value of scheme liabilities	**7.7**	6.5	6.3	4.9	2.7
Percentage of the present value of scheme liabilities	**10.4%**	8.3%	(3.6%)	(3.2%)	2.3%

Notes to the financial statements (Year ended 31 March 2008)

28. CAPITAL COMMITMENTS

	2008 £m	2007 £m
Group		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**437.8**	584.4
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**862.7**	482.1
	1,300.5	1,066.5
The Group expects to finance the above commitments by:		
Proceeds from property sales	**993.8**	650.1
Capital grant receivable	**306.7**	259.8
Signed loan commitments available for drawdown	**—**	156.6
	1,300.5	1,066.5

The Group has signed loan commitments available for drawdown of £248.5m, but expects to be able to finance the above commitments without recourse to these facilities.

29. HOUSING UNITS AND BEDSPACES

	2008 units	2007 units
Group		
Under development on site at end of year		
Units for rent	**2,090**	1,186
Low cost home ownership units	**2,058**	1,225
Outright sales units	**1,528**	1,253
	5,676	3,664
Under management at end of year		
General needs owned	**13,060**	11,973
General needs managed on behalf of others	**7,328**	13,397
Supported housing and housing for older people	**2,393**	1,818
Temporary housing units	**4,741**	5,218
Low cost home ownership and other leased units	**7,164**	8,487
Key worker accommodation	**1,379**	1,398
Other – non social housing	**1,735**	1,783
	37,800	44,074
Units owned but managed by others	**548**	2,316

Notes to the financial statements (Year ended 31 March 2008)

30. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2008, the Group had annual commitments under non-cancellable leases as set out below:

	2008 £m	2007 £m
Land and buildings		
Leases which expire:		
Within one year	8.5	8.1
In two to five years	34.8	37.1
Over five years	2.1	2.1
	45.4	47.3

The majority of the Group's operating leases are residential property leases granted by private sector landlords.

31. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The Group has derivatives which are not included at fair value in the accounts:

	Principal 2008 £m	Fair value 2008 £m	Principal 2007 £m	Fair value 2007 £m
Interest rate swap contracts	70.0	1.8	120.0	0.1
RPI swap contracts	150.0	16.0	110.0	2.5

Notes to the financial statements (Year ended 31 March 2008)

32. RELATED PARTY TRANSACTIONS

For the year ending 31 March 2008, the following related parties had traded with the Group in the following respects:

Transactions with associates:

Logic Homes Limited had invoiced the Group £104,000 (2007: £nil) for its running costs. Gentect Homes Limited has not invoiced the Group for its running costs (2007: £95,000). Logic Homes Limited is an associate of the Group and Gentect Homes Limited is a subsidiary of Logic Homes Limited.

The Group made an interest-free loan of £60,000 (2007: £nil) to Low C Living Limited. At 31 March 2008, the loan was still outstanding.

Transactions with joint ventures

Grainger Geninvest LLP had been invoiced by the Group £195,000 (2007: £198,000) and £30,000 (2007: £40,000) for management fees and accounting fees respectively.

Grainger Geninvest No. 2 (2006) LLP had been invoiced by the Group £756,000 (2007: £689,000) and £60,000 (2007: £27,000) for management fees and accounting fees respectively.

Grainger Geninvest LLP had paid £706,000 (2007: £587,000) in interest to the Group on loan notes from Geninvest Limited.

Grainger Geninvest No. 2 (2006) LLP had paid £341,000 (2007: £346,000) in interest to the Group on loan notes from Geninvest Limited.

Grainger Geninvest LLP and Grainger Geninvest No. 2 (2006) LLP had been invoiced by the Group £391,000 and £541,000 respectively (2007: £1,412,000) for maintenance services as carried out by Pathmeads Property Services Limited.

At 31 March 2008 the following related parties had outstanding balances with the Group:

Grainger Geninvest LLP owed the Group £16,808,000 (2007: £1,377,000) of which £1,010,000 (2007: £115,000) related to trading with Pathmeads Property Services Limited.

Grainger Geninvest No. 2 (2006) LLP owed the Group £4,337,000 (2007: £2,331,000) of which £1,429,000 (2007: £281,000) related to trading with Pathmeads Property Services Limited.

Grainger Geninvest LLP owed the Group £6,399,000 (2007: £6,399,000) on the loan notes.

Grainger Geninvest No. 2 (2006) LLP owed the Group £4m (2007: £4m) on the loan notes.

Bishopgate Apartments LLP owed the Group £4,854,000 (2007: £4,715,000) in respect of a loan and £5,000 (2007: £5,000) in respect of expenses paid on its behalf.

Quintessential Homes (Wembley) LLP owed the Group £nil (2007: £4,382,000) in respect of a loan.

The Group owed Grainger Geninvest LLP £17,641,000 (2007: £1,020,000).

The Group owed Grainger Geninvest No. 2 (2006) LLP £670,000 (2007: £328,000).

For the year ending 31 March 2008, the following related parties had traded with Genesis Housing Group Limited, the company, in the following respects:

Logic Homes Limited had invoiced the company £104,000 (2007: £nil) for its running costs. Gentect Homes Limited has not invoiced the company for its running costs (2007: £95,000). Logic Homes Limited is an associate of the Group and Gentect Homes Limited is a subsidiary of Logic Homes Limited.

At 31 March 2008 the following related parties had outstanding balances with Genesis Housing Group Limited, the company:

Grainger Geninvest LLP owed the company £160,000 (2007: £311,000).

Grainger Geninvest No. 2 (2006) LLP owed the company £1,701,000 (2007: £887,000).

33. LEGISLATIVE PROVISIONS

Genesis Housing Group Limited is incorporated under the Companies Act 1985 as a company limited by guarantee (No. 3802456) and is registered with the Housing Corporation (No. L4286).

Front cover picture – Mike Harris is a Genesis customer in temporary accommodation. He stands here on the balcony of his flat in Maida Vale where he lives with his wife and daughter.

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CUSTOMER SERVICE EXCELLENCE