Genesis
Housing Group

Building futures

Financial Statements 2009

Zoe and family, Genesis customers

Contents

The Board, Group Executive team, committees and professional advisers

The Board

Adrian Bell BA (Hons)	Chair (and Independent Member)
Leonora Thompson BA (Hons)	Chair of Paddington Churches Housing Association Limited
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 – resigned 6 May 2009
Rolande Anderson MA (Cantab)	Independent Member
Stephen Lansman	Independent Member – resigned 6 May 2009
Jacquie Cannon OBE BSc	Independent Member (co-opted Member) – resigned 6 May 2009
David Turner FRICS	Independent Member – appointed 23 November 2008
Timothy Barker MA	Independent Member – appointed 15 December 2008

Group Executive team

Anu Vedi CBE ACA	Group Chief Executive
Allison Sofekun BSc (Hons) ACA MBA	Group Director of Corporate Services
Steve Coleman	Group Director of Development
Mark Gayfer BSc (Hons) FCA	Group Director of Finance – appointed 19 December 2008 and previously Managing Director of Springboard Housing Association Limited until 18 December 2008
John Lappin BSc (Hons) FCA	Group Director of Finance – resigned 19 December 2008
Tom McGregor BA (Hons) MBA	Chief Operating Officer – appointed 1 January 2009 and previously Managing Director of Pathmeads Housing Association Limited until 31 December 2008
Owen Ingram	Interim Managing Director of Paddington Churches Housing Association Limited – appointed 29 January 2009
Pam Lockley	Managing Director of Paddington Churches Housing Association Limited – resigned 31 December 2008
Feargal Ward BA (Hons)	Managing Director of Pathmeads Housing Association Limited – appointed 28 January 2009
Harton Bailey	Interim Managing Director of Springboard Housing Association Limited – appointed 19 January 2009

Group committees

Group Audit and Risk Committee	Chair – David Kleeman MA (Cantab)
Remuneration and HR Committee	Chair – Adrian Bell BA (Hons) – resigned 31 March 2009
	Chair – Rolande Anderson MA (Cantab) – appointed 31 March 2009
Property Investment Development Committee	Chair – Jacquie Cannon OBE BSc – resigned 23 November 2008
	Chair – David Turner FRICS – appointed 23 November 2008
Diversity Committee	Chair – Rolande Anderson MA (Cantab)
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 2009)

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who are 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 Tenant Services Authority's Internal Control Assurance Circular 07/07 the main internal controls and that an annual review of the effectiveness of the Group's internal control systems has taken place.

The Group 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.

During the year, it became apparent that the levels of internal control over certain activities were not sufficiently adequate. Accordingly the Group Board took the following actions:

- reviewed the membership of the various boards and committees within the Group and made changes to ensure that an appropriately high level of internal control is achieved;
- reviewed the structures and composition of the Executive management team and made changes designed to improve control over operations;
- implemented a Liquidity Improvement Action Plan to ensure that the Group was appropriately positioned from a cash flow perspective during the very difficult external economic environment that existed in the second half of the financial year;
- commissioned a number of reviews aimed at improving operations and controls throughout the Group and monitored the implementation of their recommendations.

The Board has reviewed its policies on governance, risk management and internal audit, and the 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 the work of the Internal Audit department, the review exercised by the Group Audit and Risk Committee ("the GARC"), the external audit function, and the control exercised by the Group Executive team. A major component of the assessment is the risk management process.

As is permitted by the Tenant Services Authority's circular, the Board has delegated authority for the review of 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.

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 Group Chair, the Group Board members, the subsidiary Boards, the Group Chief Executive and the Board Committees. In addition, there is in place an organisational structure which clearly defines lines of responsibility and delegation of authority within the Group.

Report of the Board (Year ended 31 March 2009)

Risk management
The Group encounters risk in all of its business activities. Therefore in carrying out its strategic objectives the Group is not risk averse and accepts a threshold of low and manageable risk as part of its risk appetite. The risk management strategy is to try to avoid very high risks whenever possible and to proactively and robustly manage and mitigate all high and medium risk exposures to acceptable levels.

The Board carries out an annual review of risk management and has approved a comprehensive corporate risk management strategy and policy which forms part of the overall risk framework. The framework is being applied at all levels of the Group and activities are underway to improve implementation across the Group.

The risk management framework requires comprehensive risk registers to be produced for key business areas and departments and these are regularly monitored and updated as appropriate as part of the decision making process within the Group. In addition SMART based risk mitigation plans are developed which give comprehensive information regarding the key milestones and actions to be taken to address risk. The mapping process has been improved during the year and risks are now assessed on financial, reputational and on a time frame basis as well as for probability. The evaluation matrix has been enlarged to allow for more refined and considered evaluations.

All Board Members, directors, managers and staff have clearly defined roles and responsibilities for identifying, evaluating, reporting and communicating risk issues throughout the organisation. This is part of a risk escalation process which also requires proactivity in identifying new and emerging risks.

The GARC regularly monitors and reviews risk within the Group on behalf of the Board. Additionally a Risk Scrutiny Panel comprised of non-executive and executive members looks at operational risk issues in detail and specific risks as appropriate.

Risk is also monitored by the Executive team and through subsidiary Boards and their senior management teams.

The risk management department is available to executive and non-executive Board Members, directors, managers and staff for the provision of advice, support and guidance and to facilitate various projects to address risk issues and to raise awareness of risk management best practice, tools and techniques.

Information systems
The Group has a comprehensive system of financial reporting. The corporate strategy, business plans, and annual budget 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, to enable remedial action to be taken as necessary. In addition, the Board monitors financial performance on a quarterly basis, via a comprehensive management accounts package which includes income and expenditure accounts, balance sheets, cash flow forecasts, and key performance indicators. A comprehensive review of management information is planned for 2009/10.

Control procedures
Policies and procedures are in place 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 members of the Group's Executive team, senior and departmental managers are fully involved in agreeing the annual plan and budget for their part of the business. Managers are required to monitor actual performance each month compared with their budget, and explain and deal with any variances arising. A number of other functional and project-related monitoring systems exist as part of the Group's monitoring systems.

Internal audit
The Internal Audit function continues to assess internal controls, including financial controls and provides 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. She has relayed assurance levels throughout the course of the year that have culminated in this report.

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 or 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 whistle-blowing policy and procedures are in place should fraud or attempted fraud be reported, discovered or suspected.

Report of the Board (Year ended 31 March 2009)

The above procedures and policies are designed to identify, evaluate and manage the significant risks to 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 Tenant Services Authority has been notified, and reflected the information contained within it in its review.

During the year, two issues arose which the Board felt should be disclosed in this report. The first issue arose from the implementation of a new accounting system, which resulted in some suppliers being paid later than should have been the case during the summer of 2008. This situation has now been resolved and, subject to normal negotiation over invoices in dispute, all suppliers are being paid within terms. Secondly, properties were not charged on a timely basis as security for borrowings and this resulted in delays in drawing down agreed loan facilities. This system has now been strengthened, so that security for future loan drawdowns is charged on a timely basis.

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, including those specifically referred to above, 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 upon staff feedback through a number of mechanisms, which this year has included a major staff perception survey as part of "Best Companies 2009". The feedback will be used to drive a process of continuous improvement in employee engagement. Other initiatives include regular sessions of the Senior Managers with the Group Chief Executive and sessions offering all staff across the Group the opportunity to meet with him once a year. The well-established Genbrief system cascades information in a timely manner and allows upward feedback and questions, to which answers are shared across the Group.

Employees continue to be the Group's greatest asset, as shown by Group-wide Investors in People (IiP) recognition and being designated 'One to Watch' in the Best Companies 2009 survey. We started a major investment in the development of our senior managers through the 'You Lead' programme and are encouraging and developing new talent through the "Moving into Management" programme.

Genesis is committed to providing a safe and healthy environment for staff, customers and visitors. Our team of advisers are working across all parts of the Group's diverse and growing business with managers and other partners to strengthen and develop risk management systems. Their work has resulted in an improving culture of reporting incidents and taking action to minimise risk and to each part of the business putting an improvement plan in place. Risk assessments have been published for each role in the Group and rolled out through the 2009 appraisal process.

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 through its Diversity Committee. All Board members receive diversity and equality training.

Applications for employment from disabled people are given full and fair consideration in respect of all vacancies, having regard to applicants' particular aptitude and abilities. The Group is recognised for its work on disability awareness through the Two Ticks accreditation. If employees become disabled, every effort is made to continue to employ them, where appropriate by making reasonable adjustments. It is the Group's policy that career and personal development opportunities should be available to all employees.

The Group developed its Gender and Disability Equality schemes to ensure that opportunities throughout the Group are open to all.

Health and safety

Genesis is committed to providing a safe and healthy environment for all its staff, customers and visitors. Managers are working across all areas of the business to promote this culture and to create and enhance a positive and responsive attitude to all health and safety issues. As part of this, all new members of staff attend health and safety training as part of their induction to the Group. There is an improved culture of reporting incidents and near misses and appropriate action taken to minimise the likelihood of similar incidents in the future.

Environmental issues

The Group takes very seriously its obligations to ensure that in all its actions, full account is taken of their possible impact upon the environment. In the management of its property portfolio, the construction of new homes and in its direct and overhead expenditure, the Group endeavours to act in a manner which is environmentally responsible and sustainable in the longer term.

Political and charitable contributions

During the year the Group made no donations to charity or to political parties (Charitable donation 2008: £50,000, political contribution 2008: £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 24 August 2009

Operating and financial review (Year ended 31 March 2009)

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

	2009	2008 restated	2007 restated	2006 restated	2005
Group income and expenditure account					
Turnover	**232.3**	217.7	206.5	186.4	145.2
Cost of sales	**(37.4)**	(36.5)	(18.0)	(2.4)	–
Impairment	**(6.9)**	(5.8)	–	–	–
Other operating costs	**(165.2)**	(153.0)	(165.7)	(157.9)	(123.8)
Operating surplus	**22.8**	22.4	22.8	26.1	21.4
Surplus on sale of assets	**12.1**	18.3	14.9	10.2	6.7
Income from investments	**0.3**	0.5	–	–	–
Net interest charge	**(29.6)**	(25.4)	(26.0)	(25.4)	(18.4)
Taxation	**–**	0.1	–	0.2	–
Surplus for the year excluding joint venture activities	**5.6**	15.9	11.7	11.1	9.7
Joint venture activities deficit after tax	**(4.9)**	(3.9)	(4.1)	(1.4)	–
Net Group surplus for the year	**0.7**	12.0	7.6	9.7	9.7
Group balance sheet					
Housing properties at cost less depreciation	**2,284.1**	1,925.6	1,588.6	1,397.9	863.9
Social housing grant and other grants	**(925.0)**	(834.1)	(764.9)	(639.3)	(449.2)
Other tangible fixed assets	**16.9**	14.5	12.2	12.2	7.6
Intangible fixed assets	**0.2**	–	–	–	–
Investments	**16.6**	16.4	1.3	1.3	1.1
Share of joint venture assets/(liabilities)	**(1.1)**	40.1	19.1	8.9	–
Net current assets/(liabilities)	**180.9**	180.5	104.1	19.6	(0.7)
	1,572.6	1,343.0	960.4	800.6	422.7
Loans due after one year	**1,368.2**	1,107.8	775.2	637.3	313.4
Other long term liabilities	**33.0**	38.7	18.8	21.1	17.5
Negative goodwill	**51.7**	36.9	37.3	37.8	–
Revaluation reserve	**2.5**	37.8	16.2	0.3	0.1
Other reserves	**117.2**	121.8	112.9	104.1	91.7
	1,572.6	1,343.0	960.4	800.6	422.7

The figures for 2006 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 which anticipated SORP 2008 was endorsed by the GARC. 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.

The figures for 2007 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.

The figures for 2008 have been restated to show the loans to joint ventures of £15.3m as fixed assets investments, which were previously shown in Debtors due after more than one year.

Operating and financial review (Year ended 31 March 2009)

Nature of the Group's business

Genesis Housing Group (the "Group") is one of the country's leading social investment businesses, with about 40,000 homes under management in London and the South East of England. The Group's activities are focused on providing affordable housing and 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 an investment partner under the Homes and Communities Agency's National Affordable Housing Programme ("NAHP"). It is regulated by the Tenant Services Authority, with which it is registered and its activities are judged against compliance with the Regulatory Code. Performance is measured by means of a Regulatory Judgement which assesses whether the organisation is financially viable, properly governed and properly managed. The latest assessment in July 2008 awarded four green lights to Genesis, under the traffic light system then used to measure compliance. The next assessment is expected in August 2009.

The Group is governed by a Group Board composed of nine non-executive members and the Group Chief Executive. The 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"), which was 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, as well as managing low cost home ownership activities.

Pathmeads Housing Association Limited ("Pathmeads") 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 the largest single provider in the country of temporary housing to the homeless.

Springboard Housing Association Limited ("Springboard") 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.

St. Matthew Housing Limited ("SMH") founded in 1973, joined the Group on 9 May 2008 as a subsidiary of Springboard. The association provides supported housing in six counties in East Anglia and East Midlands with a specific focus on supporting homeless people.

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

Genfinance Limited, the Group's treasury company has continued to work closely with existing relationship lenders and has successfully arranged a further £310m of loan facilities from banks during the course of the year. The funds have been and will be used to progress the Group's development activities.

Geninvest Limited, a subsidiary responsible for investing in and monitoring the Group's non regulated activities has continued to provide strategic direction for its investments throughout the year. The main investments continue to be two partnerships with Grainger plc namely Grainger Geninvest LLP ("GGI1") and Grainger Geninvest (2006) LLP ("GGI2") which own a combined portfolio of some 1,600 investment properties, largely financed by non-recourse bank debt.

Key highlights in the year

Genesis Group

Group turnover, excluding the share of joint venture activities was £232.3m, an increase of 7% from 2007/08 (£217.7m). This was due in part to the acquisition of St. Matthew Housing, which accounted for £7.4m of the increase. The Group surplus before tax and excluding its share of joint venture activities has decreased from £15.9m to £5.6m, mainly as a result of lower surpluses on sales of properties and higher interest charges. However the Group has maintained its operating surplus which has increased from £22.4m to £22.8m.

The past year has been particularly challenging for the housing sector in general and for Genesis in particular, due to the difficult economic environment and the restrictions upon the availability of credit. These factors led to difficulties in achieving targets for the sale of first tranches of shared ownership properties that had been developed by the Group, falling prices for the sales that were achieved and difficulties in raising new loan finance. Under these circumstances, the directors feel that the £32m first tranche sales achieved represents a creditable outcome as does the achievement of Genfinance Limited in raising £330m of new facilities. Included within these new facilities was a £20m back up facility received from London and Quadrant Housing Trust in December 2008 at the height of the credit crunch. The directors would like to thank London and Quadrant for making this facility available. It has now expired and was not drawn on during its six month existence. In these circumstances, the directors have taken a pro-active and prudent approach to managing the Group's profitability and liquidity by conducting a thorough review of all its costs and its development programme. The directors are confident that from their review and from the steps which they have taken that the Group is in a much stronger financial position and at an operating level, the Group's surpluses are no longer dependent on surpluses from sales of properties. The Group continues to prioritise the use of its surpluses to improve the housing stock and the services it delivers to customers. Details of operating performance are given later in this report.

Operating and financial review (Year ended 31 March 2009)

The Group's development activities continued through the year to deliver substantial numbers of much needed social housing – during the year a total of 1,744 homes were completed and handed over for occupation. In line with a decision of the Group Board in September 2008, in view of the external economic environment the Group focused on delivering the existing contracted development programme and very few new contracted development obligations were entered into during the year. The Group worked closely with its development contractors to manage the cash outflow on the construction of new homes which amounted to some £400m during the year. Towards the end of the year, the Group secured Social Housing Grant allocations amounting to £111m from the Homes and Communities Agency.

The Board is looking at the best ways to develop the remaining land bank of £178m and has already secured grant and loan financing to achieve this and will be seeking further grant and loan financing over the next year to finance these possibilities.

However, in view of the current state of the property market the Group Board felt that a further substantial impairment charge of £6.9m was appropriate in 2008/09, bringing the total impairment charge over the past two years to £12.7m. Almost all of this charge related to the Group's land bank of sites awaiting development and the level of charge was reduced following grant allocations from the Homes and Communities Agency before and after the year end.

Financial performance

Turnover and operating results

Group turnover including joint venture share was £247.8m an increase of 8.4% from £228.5m. This was mainly as a result of the acquisition of St. Matthew Housing Limited, which accounted for £7.4m of the increase, and in particular the growth in rents receivable and service charges from supported and mixed tenure housing. This made up for the reductions in turnover in temporary housing and first tranche sales. Rent from temporary housing reduced as a direct result of the unit numbers being handed back reflecting the decline in the temporary housing market. First tranche sales were lower than previously, due to the challenges of the wider economic environment. Operating margins have decreased slightly from 12% to 11%. Operating margin increased on low cost home ownership first tranche sales due to tighter control of direct and overhead expenditure. The decrease in the operating margin on low cost home ownership was on a low turnover and the decrease in the operating margin on the joint ventures was due to higher cost of sales, while the operating costs have reduced as a percentage of turnover.

Turnover and operating surplus by activity is shown below:

£m		**2009**			2008	
Turnover and operating surplus by activity	**Turnover**	**Operating surplus/ (deficit)**	**Operating margin**	Turnover	Operating surplus/ (deficit)	Operating margin
General needs	**75.1**	**31.5**	**42%**	70.3	26.1	37%
Supported housing	**24.5**	**0.5**	**2%**	18.7	0.3	2%
Low cost home ownership	**5.9**	**3.3**	**56%**	4.6	2.7	59%
Low cost ownership first tranche sales	**32.1**	**1.9**	**6%**	38.4	(0.9)	(2%)
Temporary accommodation	**69.8**	**3.2**	**5%**	73.0	3.3	5%
Keyworker accommodation	**6.7**	**2.2**	**33%**	6.0	2.0	33%
Other activities	**18.2**	**(19.8)**	**(109%)**	6.7	(11.1)	(166%)
	232.3	**22.8**		217.7	22.4	
Joint ventures	**15.5**	**3.7**	**24%**	10.8	4.5	42%
Total	**247.8**	**26.5**	**11%**	228.5	26.9	12%
Surplus on ordinary activities after taxation as a percent of turnover (excl. joint ventures)			**2%**			7%

Operating and financial review (Year ended 31 March 2009)

Turnover and operating margin improved for general needs housing as new developments came into management during the year and following last year's peak of major repairs expenditure at Springboard.

As a result of St. Matthew Housing joining the Group during the year, turnover in supported housing increased substantially, but operating margin remained low at 2%.

Low cost home ownership and low cost home ownership first tranche sales when taken together, despite a decrease in turnover, show an increase in operating margin by 189% from £1.8m to £5.2m.

The decrease in temporary housing turnover is mainly attributed to a decline in the temporary accommodation sector, driven by government policy to halve the number of families in temporary accommodation by 2010. Pathmeads remains the largest single provider of temporary housing nationally and the temporary housing income accounts for 28% of total turnover. Operating margins in temporary housing remained at 5%, reflecting tight cost control in the face of inflationary increases in staff overheads and landlord rental charges.

PCHA

PCHA has continued to improve its performance in the key service areas. Rent collection rates have steadily increased during the year. The arrears figure in March 2009 was 5.8%, as a percentage of gross rent, the lowest in the group. Repair response times in all categories, sales targets, and tenants waiting times in reception targets were all exceeded.

At Quarter 3 the following services were in the top quartile of the benchmarking carried out by the G15 group of large London housing associations; all three repairs categories and voids available for lettings. PCHA's housing management costs have been held for three years and are now the 3rd lowest in the Housemark Benchmarking Club.

Improving access and customer care has been a high priority for PCHA. It is now in the process of setting up a housing management contact centre which will be managed by Pathmeads and located at Olympic House. The aim will be to ensure that 80% of customer's calls are dealt with at the first point of contact. All contacts with customers will be recorded and monitored. Office opening hours have been extended to 7pm on a Thursday evening.

PCHA's repairs contact centre staff were co-located with the principal repairs contractors, Pathmeads Property Services and Morrison to improve communications and efficiencies which will results in a better service to PCHA residents. Residents can now report a repair up until 7pm each evening.

The tenants incentive scheme "Your reward" was successfully launched with 600 applications being received in the first six weeks.

The PCHA supported housing service was very encouraging with the results of their customer satisfaction survey which showed an overall satisfaction rate of 83%. On average, 91% of respondents were very or fairly satisfied with advice and support offered in dealing with repairs, rent arrears, complaints, arranging adaptations and resolving anti-social behaviour issues.

As a result of joint working with Brent Council, PCHA obtained a grant of over £4.2m from the Homes and Communities Agency to turn PCHA's portfolio of 121 homes, previously used to re-house those in temporary accommodation, into permanent homes. The grant allows PCHA to charge its standard rents as opposed to the current higher temporary housing rents, which will give the resultant tenants a better platform for gaining employment.

PCHA also won funding to buy special equipment designed for older people to help maintain mobility and improve physical health and supported housing residents to produce their own DVD promoting resident involvement at PCHA.

Pathmeads

This year the focus in Pathmeads Temporary Housing has been on developing a "right first time" service. To support this, two key initiatives were launched during the year. Firstly in April 2008 the team started a partnering contract for day to day repairs and voids. Now working with three contractors, the team is able to offer tenants timed appointments and has seen marked improvements in repair completion times, jobs completed at first visit and customer satisfaction. The very competitive rates being achieved through this contract have also helped the team manage maintenance expenditure. Secondly in June 2008 Temporary Housing launched a housing management contact centre; again results have been very positive with many more telephone calls being answered and a high proportion of queries being resolved at first contact.

Pathmeads Contracts provide housing management services to Hackney Homes who were recently awarded 2 stars rating by the Audit Commission, releasing £225m of decent homes credits for Hackney Council. The biggest change in the way Hackney Homes prepared for inspection this time around was to include Pathmeads along with the other partners on the executive team and ask the partners to be involved in inspection preparation from the start. The Ipsos Mori survey published in October 2008 has shown residents living in the Stoke Newington neighbourhood, managed by Pathmeads, are far more satisfied with how their tenancies are managed than residents of other neighbourhoods.

Pathmeads Property Services Limited ("PPS") started two new contracts during the year. In April 2008, a partnering contract with Pathmeads Temporary Housing was started to deliver a "right first time" service. This partnering approach had seen improved customer satisfaction, and a high level of jobs completed correctly within target times-. The acquisition of Shenstone Services Limited was completed as was part of PPS's growth strategy to enable it to compete better in the industry. The acquisition increased PPS's turnover by £1.7m and in order to benefit from the good reputation of the acquired company, PPS will be branded as Shenstone Services Limited in 2009/10.

In December 2008, a new partnering contract with Wenlock Barn Tenants Management Organisation in Hackney was started. This partnership includes Pathmeads Contracts and has also seen improved satisfaction across all areas of the contract including keeping within the targeted budget.

Operating and financial review (Year ended 31 March 2009)

In mid 2008 Priority Research conducted a survey of Pathmeads Key Places residents in order to establish levels of satisfaction with the key services provided. There was a 29% response rate. The results of the survey compared very favourably with the previous survey carried out in 2006 and confirmed significant improvements in most service areas since Pathmeads became responsible for the management of the stock. Overall, there was a significant improvement in customer satisfaction from 46% to 74%.

During 2008 an initiative to utilise underused space at University College London Hospital was undertaken which resulted in en-suite studios being developed, resulting in greater choice of accommodation to customers and increased revenue to Pathmeads.

Springboard

Springboard had a successful year with continued improvements in satisfaction for existing customers, as measured by the Status Survey. The supported housing service continued to show marked improvements in the ratings awarded by Supporting People and the Commission for Social Care Inspection (CSCI). Springboard conducted a Status Survey of its general needs customers in June 2008. This reported an overall level of satisfaction of 72% (2006: 64% and 2003: 52%). The Support Services team in Newham successfully moved from a “poor” rated service three years ago to the top ranking of “excellent”. Springboard also won a number of awards for the food services in various schemes.

During the year Springboard acquired two new subsidiaries, representing a 25% increase in turnover and a 75% increase in staff employed.

St. Matthew Housing, which houses and provides support to single homeless people, formally joined Springboard as a subsidiary on 9 May 2008. St. Matthew was released from supervision by the Housing Corporation on the same day. The merger was effected swiftly and smoothly and Genesis was complimented by the Housing Corporation for achieving this. Margaret Jacques, formerly Head of Supported Housing in Springboard, was appointed Managing Director. St. Matthew owns 682 units of accommodation, spread across the East Midlands, East Anglia and Lincolnshire.

Towards the end of March, Eastwards Trust formally agreed to join Springboard as a subsidiary with effect from 1 April 2009. It provides support services mainly to the Asian community in Newham. Springboard has had a long standing relationship with Eastwards Trust and this together with a wish to expand their operations led them to choose Springboard and the Genesis Group.

Grahame Park

The Group's Grahame Park regeneration scheme in the London Borough of Barnet saw the procurement of construction for the first major phase of 319 new homes and associated parkland and community facilities, ready for site start. Following the satisfaction of the funder's detailed conditions in June 2009, work is now starting on site.

Woodberry Down

Following a long and detailed procurement process the Group was selected by Hackney Council as its preferred partner, subject to resident ballot, for the major estate regeneration project at Woodberry Down at the beginning of March 2009. While selection of the Phase 2-5 developer proceeds and the pre-stock transfer processes commenced, Genesis also entered into a contract to acquire 116 affordable rented homes being built in Phase 1 by Berkeley Homes.

Genesis Community Foundation

Over the past year Genesis Community Foundation has been focusing on developing and extending its Life Change programme for the benefit of residents across the Group.

Within the three strands of the Programme (Employment, Young people and Older and vulnerable people) the largest investment in staff time over the past year has been in developing a resident facing employability programme. This enables Genesis Community Foundation to engage with workless residents and meet them on their home ground, building a personal relationship with individual residents and then supporting them into personal development planning and skills training courses. These are the first steps to getting residents on the road towards work and paid employment. The Foundation works closely with other partners and providers to ensure that each resident is receiving the desired support and training. It is currently working in partnership in the London Boroughs of Westminster, Brent and Hackney delivering employability programmes.

Genesis Community Foundation has also developed a new approach to its youth work to come into place as two funding streams ended on 31 March 2009, so as to ensure that the Foundation remains well positioned to continue and to extend its youth programmes both in west and east London.

The Foundation continues to develop its life long learning initiative aimed at older and vulnerable people living in the Group's residential supported housing schemes and in the past year has secured funding to extend the Silver Surfers scheme into Essex.

The past year also saw the completion and hand over of two important social investment projects in which Genesis Community Foundation has played a leading role in brokering the partnerships to achieve this outcome. Both projects are in Colchester and each in its own way will make a significant contribution to social welfare in that town.

The first of these projects is the Bluebell Family Resource centre where Genesis Community Foundation negotiated an agreement with the local Primary Care Trust (PCT) to include a brand new facility for Bluebell within its new health centre and doctors’ surgery which they are leasing from Springboard. The Foundation was able to secure the Bluebell Centre a 25 year lease at rent from the PCT as its contribution to the local community. This saved the Bluebell Centre from certain closure and has guaranteed that their important work with young families will continue for many years.

Operating and financial review (Year ended 31 March 2009)

The second project in which the Foundation was a catalyst was the creation of an Emmaus Community, comprising a 21 unit live/work community for street homeless people in Colchester. Emmaus is a national homeless charity providing a very positive route out of homelessness through self help and this project has helped Colchester meet its homeless strategy target in the area of street homelessness. Genesis Community Foundation was responsible for brokering the joint venture partnership to secure this outcome, where Genesis were able to lever in significant social housing grant funding matched by Emmaus securing East of England Development Agency funding to establish a new Emmaus Community.

Both of these projects were opened in late 2008 and represent a considerable investment in time and resources to achieve such a result for the local communities.

Genesis Community Foundation continues to seek ways of expanding its activities and has a full time bid writer on its complement tasked with sourcing and securing additional external funding to extend its number of projects and thereby to reach further into the communities in which the Genesis Housing Group operates.

GGI1 and GGI2

The partnership with Grainger plc has continued to meet and exceed its operating business plan targets despite the difficulties encountered in the external economic environment. However, the significant falls in the property markets in London during the year have meant that the portfolios' value fell to close to original cost.

As a result of ongoing operating losses due to interest charges continuing to exceed the net rental income, the value of the Group's investment in these portfolios has been reduced below cost. The Group continues to view itself as a long term investor in the portfolios and anticipates an improvement in the medium to long term. Discussions with funders over the refinancing of the portfolios that is due in 2010 and 2011 have already commenced.

Pathmeads has continued to work hard delivering a management service to these joint ventures, with a focus on the delivery of robust but commercially sensitive management, achieving performance targets and maximising income.

On the GGI1 portfolio, £2m was spent replacing Victorian water mains, and landscaping courtyard areas.

On GGI2, work was carried out on a derelict communal area at Walworth converting the space into a community garden. As well as achieving high satisfaction ratings from residents the works will impact positively on future valuations.

Across both portfolios the sales target of £1.1 million per quarter per portfolio was exceeded.

Pension costs

Total pension costs for the year were £2.3m (2008: £1.4m), 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 £2.9m to £9.4m.

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"), 14.7% to SHPS and 24.4% to the PCHA 2001 scheme. An annual contribution of £485,000 will be paid over a period of 10 years starting on 1 June 2007 to fund the past service deficit in the PCHA 2001 scheme.

The money purchase scheme managed by AXA is the only scheme open to new employees. Further details on the schemes are disclosed in note 28.

Reserves

The Group achieved a consolidated net surplus after taxation for the year of £0.7m which was transferred to the revenue reserves (2008: £12.0m). The net surplus is arrived at after charging the Group's share of revenue deficits on joint venture activities of £4.9m (2008: £3.9m).

The Group's total reserves decreased by £25.1m to £171.4m (including negative goodwill of £51.7m) and its revenue reserves decreased by £4.3m to £109.1m. A designated reserve of £7.3m (2008: £7.3m) is held to support the Group's future stock investment programme. A restricted reserve of £0.8m (2008:£1.1m) is held in respect of restricted funds within Genesis Community Foundation.

Investment for the future

The Group is one of the Homes and Communities Agency's Principal Developing Associations.

In addition to the development of new properties, the Group is committed to major repairs such as replacements of roofs, kitchens and bathrooms.

At the end of the year, capital commitments for new development amounted to £0.2 billion (2008: £0.4 billion) which will be financed by a combination of low cost home ownership property sales, loans and capital grant receivable.

Accounting changes

Statement of Recommended Practice (SORP) 2008 is applicable to accounting periods beginning on or after 1 April 2008. The Group has adopted all the recommendations in the current financial year, with the exception of component accounting and the shared ownership first tranche sales (the latter was adopted in 2007). The impact of adopting these recommendations has resulted in only minor changes to the Group's results, because the Group had already adopted the most significant changes relating to low cost home ownership properties.

Operating and financial review (Year ended 31 March 2009)

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 on-lent to the RSLs. At 31 March 2009, the Group's total borrowings were £1,353m from available facilities of £1,512m. This balance of undrawn loans of £159m together with cash deposits of £49.5m at 31 March 2009 is more than sufficient to fund the contracted obligations from the current development programme until October 2010.

Interest

The interest charge (after taking account of capitalisation of interest into the cost of the Group's properties under development) on the Group's loans (excluding joint ventures) increased by 15% to £33.9m (2008: £29.6m). The weighted average cost of funds for the Group fell to 4.88% (2008: 5.5%).

Exposure

Exposure to interest rates is managed through the use of interest rates swaps and embedded fixed rate loans. At 31 March 2009, £156m of interest rates swaps were outstanding with an average maturity of thirty six years. All interest rate swaps require approval by the Board of Genfinance Limited. The Group's total hedged position was £912.8m at 31 March 2009, representing 69% of the total RSLs 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 as measured was 146% (2008: 186%) and gearing was 57% (2008: 53%).

Cash flows and liquidity

The cash flow statement shows that during the year the Group generated net cash inflow of £50.8m and made net interest payments of £73.0m. The Group increased net borrowings by £260.2m in the year and received £87.5m and £53.7m in capital grants and fixed assets sales respectively. Capital expenditure outflow on housing properties was £342.8m.

In the current uncertain economic climate, the Group's policy relating to liquidity is to hold sufficient cash to meet three months' working capital requirements estimated at £35m. Short-term balances are placed on overnight/short term deposits with banks from which the Group has borrowed. The Group operates strict investment guidelines in respect to surplus cash with the emphasis on the preservation of capital.

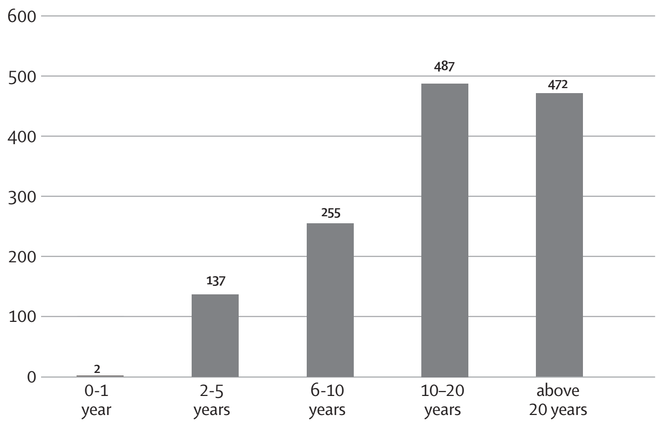
As the Group's business is predominantly one of long term investment, it seeks to borrow for long term to fund its investments. In the current economic climate, providers of finance have been reluctant to provide 30 year loans and so more medium term maturities have been agreed for some of the Group's new loans over the last year. The bond markets still provide a source of long term financing and so the Group is actively considering the issue of some £150m–£200m of long term bonds over the course of the next year or so.

The Group carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are fluctuations in interest rates and the availability of loan finance. The directors are confident that, following the strengthening of controls in the last six months of the year, the regular review of those risks is sufficient to ensure that the risks are appropriately monitored and controlled.

Debt maturity

The debt maturity profile as at 31 March 2009 for the Group was as follows (£m):

Debt maturity (£m)



Mission and objectives

Mission statement:

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

Our objectives:

Putting customers first: Genesis aims to 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 reflect the diversity of the communities we serve.

Growing the business: Genesis aims to provide and manage more homes for existing and new customers and do so in diverse ways.

Community investment: Genesis invests in communities and promotes change to enhance opportunities for customers to meet their tenure and work aspirations.

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

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

Operating and financial review (Year ended 31 March 2009)

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. There is currently one position vacant.

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

The Group board has five committees whose core responsibilities are as follows:

The Governance Committee

- set high standards of governance by recommending governance policies for approval by the Group Board and monitoring the implementation of governance procedures;
- review the composition and profile of the Boards to ensure they contain a broad range of relevant skills and experience and remain in control to meet future challenges in implementing the Board's Business Plan;
- review the effectiveness of each Board and Committee within the Group on an annual basis, agree an action plan to ensure continuous improvement and to report the outcome to the Group Board;
- review the effectiveness of governance in the Group and the governance management system in each part of the Group; and
- recommend the approval of the Shareholding Membership Policy.

The Group Audit and Risk Committee

- provide assurance to the Board that the Group has in place and operates an appropriate control framework to safeguard its assets and manage risks;
- review audits of the internal control systems in the Group on a planned basis and ensure that they are effective by requiring that recommendations are implemented by the agreed timescales, approve the audit plan and review the effectiveness of the internal audit function;
- ensure that the risk management systems are effective through the Risk Scrutiny Panel;
- recommend the annual report and financial statements to the Boards within the Group;
- recommend the appointment of external auditors and monitor the annual audit process and recommend the management letter for approval; and
- review and monitor the IT strategy to ensure its appropriateness and completeness.

The Diversity Committee

- exercise strategic leadership in all strands of equalities and diversity matters by ensuring that the Genesis Housing Group's Diversity Policy is in line with best practice and recommended for approval by the Group Board;
- develop a strategy to ensure that the Diversity Policy is implemented
- understand the profile of the communities in which the Group works, and the profile of the Group's customer base and develop targets in relation to the key services provided;
- monitor the performance of the Group in key areas to ensure that proactive steps are taken to avoid direct or indirect discrimination;
- ensure that the service to customers is enhanced through the consideration of the diverse needs of all people;
- ensure that diversity issues are considered in all aspects of the Group's business; and
- stress test the activities of the Group in relation to good practice and regulatory guidance.

The Remuneration and HR Committee

- determine the remuneration package which is sufficient to attract and retain and motivate the quality of Chief Executive for the business from time to time;
- determine the salary, other benefits and terms of service of members of the Executive Management Team;
- determine the annual targets;
- determine the salary increases and performance related payments to the Group Chief Executive and members of the Executive Management Team;
- ensure that the Group's workforce strategies and plans are developed and monitored to enable the Group to have the capacity to recruit and retain high performing staff;
- make decisions in relation to the provision of non-contractual payments and benefits; and
- review the Board Performance Evaluation process and its outcome.

Operating and financial review (Year ended 31 March 2009)

The Property Investment Development Committee

- ensure that the development programme is managed within the overall financial limits set by the Board;
- ensure that the development programme is carried out in keeping with the Group's standard of construction and design;
- approve or recommend for approval individual developments within the financial programme approved for development and within the economic criteria agreed by the Board and as validated by the Finance Department in relation to the programme and on each scheme;
- ensure that the development programme is appropriate to the Group and to the subsidiaries in the Group and reporting back to the appropriate Boards as necessary;
- monitor performance of the programme (including sales) and of individual projects inside the programme as appropriate and undertake a review on completion against the original plan and Board approvals;
- stress test both the individual projects submitted for approval and the overall programme to cover the risks emerging from a range of likely scenarios;
- produce, implement and monitor an asset management strategy to ensure that the Group's assets are used efficiently;
- assess, monitor and report on the financial standing of the consultants, developers and contractors on all schemes prior to and during the development period; and
- look at concentration risk – i.e. our aggregate exposure to each developer and maintain a record of the potential for loss in the event of failure by any of the parties to fulfil contractual obligations.

Treasury management within the Group is delegated to the Board of Genfinance Limited, whose core responsibilities are as follows:

Genfinance Limited

- ensure that the Group has sufficient liquidity to meet the Group's cash requirements on the basis of conservative assumptions and in the light of the stress testing of the Group's financial model for sales and development, cost of funding maintenance and operations;
- maintain an appropriate and sufficiently diversified debt structure to ensure that the Group can access additional lines of debt on an appropriate timescale to meet its future cash requirements;
- to maintain a hedging policy that accords with the Group Business Plan appropriately stress tested;
- oversee the security position to ensure that the appropriate facilities are available for drawing in the context of the development programme;
- to review the Group's Business Plans including the projections of the development programme to ensure that it can be funded in an appropriate manner and to approve the level of funding headroom available before new development commitments may be entered into; and
- stress test the liquidity, interest rate and security positions to cover the positive and negative risks emerging from a range of likely scenarios.

Management of non-regulated investments within the Group is delegated to the Board of Geninvest Limited whose core responsibilities are as follows:

Geninvest Limited

- oversee the Group's interests in commercial, non regulated development and investment projects including the development of residential properties for outright sale;
- make prudent decisions on individual investments;
- ensure that the Group is managing its investments for optimum returns and with minimal risk to the publicly funded assets of the Group;
- approve the terms of joint venture agreements;
- monitor the activities and performance of all joint ventures; and
- stress test the activities of Geninvest Limited in relation to parameters recommended by the Risk Scrutiny Panel.

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 its 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 and financial review (Year ended 31 March 2009)

Operating performance

The Board and 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 cash flow.

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

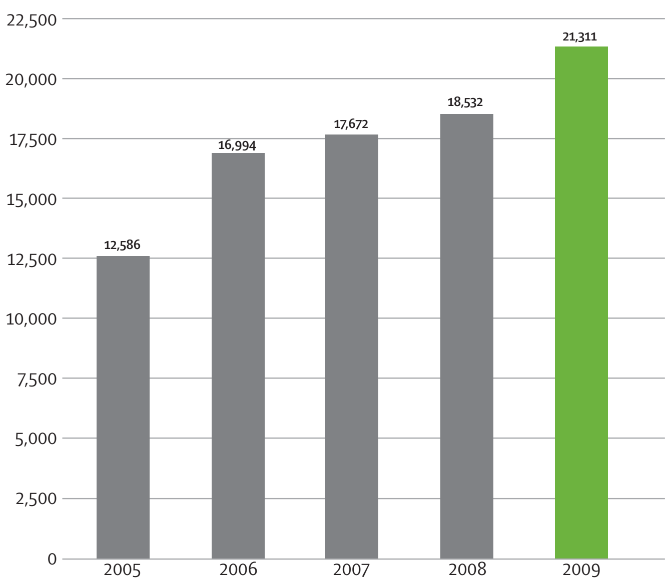
Development and sale performance is measured against targets for the number of units in development, completion and grant take up. As the Group has been to a certain extent dependent on sale of properties, whether through low cost home ownership or outright sales, the number of units sold is monitored 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 below and the performance measures have been combined from source data to show the Group's overall performance.

Units owned by the Group

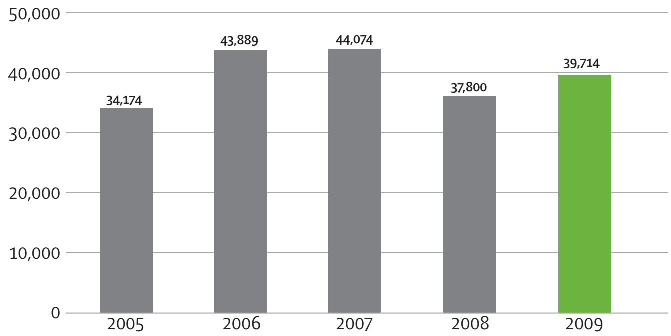
Number of units owned by the Group



Units in management

The total number of units managed by the Group has increased by 1,914 units mainly due to the acquisition of St. Matthew Housing and new properties from development coming into management.

Number of units managed by the Group



Completed units and units sold

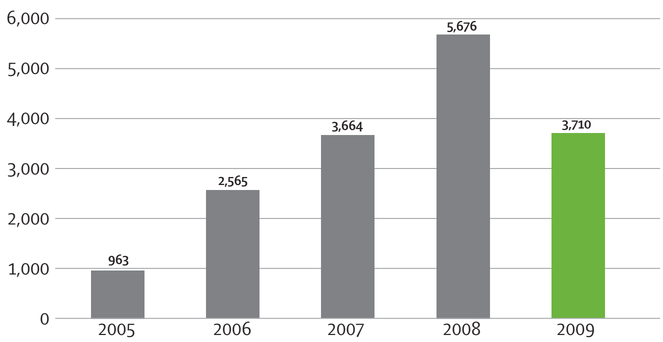
The Group completed 1,744 (2008: 809) new affordable homes during the year. Funding secured from the Homes and Communities Agency excluding any discount on land values was £87.5m (2008: £71.9m).

The Group sold 517 units mainly through low cost home ownership compared to 536 units in 2008.

Units under development

The Group has maintained its development programme despite the difficult trading conditions, although the number of homes under development at 31 March 2009 has necessarily decreased to 3,710. As a prudent measure in the current economic climate, almost no new development contracts were entered into during the year.

Number of units under development



The capital expenditure on new homes was £346.9m (2008: £407.4m).

Operating and financial review (Year ended 31 March 2009)

At 31 March 2009, the Group owned housing properties at a total cost of £2,320.1m (2008: £1,953.1m). Cumulative grants and subsidies received totalled £925.0m (2008: £834.1m). The directors are of the opinion that the market value of the properties at 31 March 2009 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.

Housing management

The average secure rents increased by 6.1% in the year from £89.36 to £94.84 per week, and the average assured rents increased by 6.1% from £93.60 to £99.35.

Void loss as a percentage from gross rent increased from 2.0% to 3.0%.

Rent arrears as a percentage of gross rent increased marginally from 7.7% to 8.1%.

Tenant satisfaction is measured using Status Surveys. Surveys conducted for Springboard (2008) and PCHA (2007) followed the standard set of Status questions set out by the National Housing Federation that are mandatory for general needs and supported housing tenures. The survey conducted by Pathmeads Key Places was based largely on the Status questions, but was adjusted slightly to meet the needs of their business.

Overall satisfaction with the services the landlord provides increased significantly to 74% in Pathmeads key places compared to 46% in 2006. Springboard General Needs increased from 72% compared to 64% in 2006 but Springboard Supported Housing fell from 93% in 2006 to 88%. The last PCHA survey took place in 2007 when satisfaction was at 64%.

Asset management

Total spend on major repairs in the year was £14.9m (2008: £16.1m).

The percentage of dwellings meeting the Decent Homes Standard continues to show an increase at Springboard from 98% to 99%, while at PCHA this has fallen slightly to 94%.

Repairs response times are shown in the table below:

	Emergency 24 hours		Urgent 5 working days		Routine 20 working days	
	08/09	07/08	**08/09**	07/08	**08/09**	07/08
PCHA	**99%**	93%	**98%**	95%	**97%**	93%
SBHA	**96%**	96%	**92%**	92%	**94%**	93%
PHA	**96%**	93%	**94%**	86%	**98%**	98%

Future Outlook

At 31 March 2009, the Group had significant cash balances (£49.5m) and more than adequate available banking facilities (£159.4m) to enable it to meet all its current contractual development obligations. The Group Board is now planning the development of the Group's existing landbank. Acquisition of new sites is not a current priority.

In order to finance this development the Group is actively considering a bond issue for up to £200m in the latter part of the year. The Board aims to ensure that future developments are self financing as far as possible from the outset and that no contractual obligations are entered into without financing being in place from the outset.

The Group has received confirmed allocations of Social Housing Grant from the Homes and Communities Agency for a total of £171.3m. Of this £34.3m relates to the landmark site at 150 High Street Stratford, which overlooks the 2012 Olympic Site and £46m relates to other land bank sites. The remaining £91m of grant relates to schemes where development has begun but an increased grant allocation has been awarded due to changes in tenure.

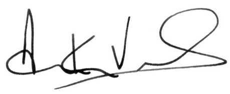
Having been able to take advantage of falling interest rates during 2008/09 the Group has now locked in interest rates on a further 20% of its portfolio to enable it to benefit from the current low rates for 3 to 5 years.

As a result of the dramatic falls in interest rates since late 2008 and the efficiency measures being undertaken, the Group is budgeting for a significant increase in its underlying surplus in 2009/10 which will enable it to absorb possible emerging finance risks during the course of the year and prudently allocate funds for improving the Group's housing stock and service delivery. Such risks include the possibility of further falls in property values although recent experience and market information indicate that this risk is reducing.

The tightening UK fiscal position will increase competition for future allocations of Social Housing Grant and put the Group's main income streams, especially rent and Supporting People Grants under increasing pressure. To respond to these issues, further efficiency and revenue raising measures are planned.

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
24 August 2009

Independent auditors' report (Year ended 31 March 2009)

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 2009 which comprise the income and expenditure accounts, the statements of total recognised surpluses and deficits, the note of historical cost surpluses and deficits, the reconciliation of movement in reserves, 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 3.

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 2009 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
Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

24 August 2009

Group income and expenditure account (Year ended 31 March 2009)

	Note	2009 Group excluding joint venture activities £m	2009 Share of joint venture activities £m	2009 Group £m	2008 Group excluding joint venture activities £m	2008 Share of joint venture activities £m	2008 Group £m
Turnover	2, 3						
Continuing operations		223.2	15.5	238.7	217.7	10.8	228.5
Acquisitions		9.1	–	9.1	–	–	–
		232.3	15.5	247.8	217.7	10.8	228.5
Cost of sales	2	(37.4)	(9.3)	(46.7)	(36.5)	(4.2)	(40.7)
Gross surplus		194.9	6.2	201.1	181.2	6.6	187.8
Impairment	2	(6.9)	–	(6.9)	(5.8)	–	(5.8)
Other operating costs	2,3	(165.2)	(2.5)	(167.7)	(153.0)	(2.1)	(155.1)
Total operating costs		(172.1)	(2.5)	(174.6)	(158.8)	(2.1)	(160.9)
Operating surplus							
Continuing operations		23.4	3.7	27.1	22.4	4.5	26.9
Acquisitions		(0.6)	–	(0.6)	–	–	–
		22.8	3.7	26.5	22.4	4.5	26.9
Surplus/(deficit) on sale of properties –							
Continuing operations	7	12.1	(0.2)	11.9	18.3	0.9	19.2
Income from other fixed asset investments	8	0.3	–	0.3	0.5	–	0.5
Other interest receivable and similar income	9	4.3	0.1	4.4	3.8	0.2	4.0
Other finance income	10	–	–	–	0.4	–	0.4
Interest payable and similar charges	11	(33.9)	(10.6)	(44.5)	(29.6)	(10.5)	(40.1)
Surplus/(deficit) on ordinary activities before taxation	4	5.6	(7.0)	(1.4)	15.8	(4.9)	10.9
Taxation	12	–	2.1	2.1	0.1	1.0	1.1
Surplus/(deficit) for the financial year		5.6	(4.9)	0.7	15.9	(3.9)	12.0

All amounts relate to continuing activities.

Company income and expenditure account (Year ended 31 March 2009)

	Note	2009	2008
		£m	£m
Turnover		58.4	40.2
Operating costs		(58.3)	(39.3)
Operating surplus		0.1	0.9
Other finance income	10	–	0.4
Surplus on ordinary activities before taxation	4	0.1	1.3
Taxation	12	–	0.1
Surplus for the financial year		0.1	1.4

All amounts relate to continuing activities.

There is no difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost surpluses and deficits has been prepared.

Balance sheets (Year ended 31 March 2009)

	Note	**Group 2009 £m**	Group 2008 £m (restated)	**Company 2009 £m**	Company 2008 £m
Fixed assets					
Tangible assets:	13				
– Housing properties at cost		**2,320.1**	1,953.1	**–**	–
– Less: Social housing grants and other grants		**(925.0)**	(834.1)	**–**	–
– Less: Depreciation		**(36.0)**	(27.5)	**–**	–
		1,359.1	1,091.5	**–**	–
Intangible assets	14	**0.2**	–	**–**	–
Investments:	15				
– Investments in associates		**–**	–	**–**	–
– Investment in joint ventures:					
Share of gross assets		**168.7**	210.5	**–**	–
Share of gross liabilities		**(169.8)**	(170.4)	**–**	–
Loans		**15.8**	15.3	**–**	–
– Listed investments at market value		**0.8**	1.1	**–**	–
Other tangible fixed assets	16	**16.9**	14.5	**5.4**	4.8
		1,391.7	1,162.5	**5.4**	4.8
Current assets					
Housing properties, stock for sale and work in progress	17	**158.5**	157.5	**–**	–
Debtors (including Group £8.0m, 2008: £5.1m; Company £nil, 2008: £0.2m due after more than one year)	18	**43.6**	96.6	**75.7**	88.8
Investments	19	**8.4**	7.8	**–**	–
Cash at bank and in hand		**49.5**	17.5	**0.7**	–
		260.0	279.4	**76.4**	88.8
Creditors: Amounts falling due within one year	20	**(79.1)**	(98.9)	**(81.6)**	(93.2)
Net current assets/(liabilities)		**180.9**	180.5	**(5.2)**	(4.4)
Total assets less current liabilities		**1,572.6**	1,343.0	**0.2**	0.4
Creditors: Amounts falling due after more than one year	21	**(1,387.8)**	(1,138.9)	**(0.4)**	(0.6)
Provisions for liabilities	22	**(4.0)**	(4.6)	**–**	–
Net assets/(liabilities) excluding pension liabilities		**180.8**	199.5	**(0.2)**	(0.2)
Pension liabilities	28	**(9.4)**	(3.0)	**(9.4)**	(3.0)
Net assets/(liabilities) including pension liabilities		**171.4**	196.5	**(9.6)**	(3.2)

Balance sheets (Year ended 31 March 2009)

	Note	Group 2009 £m	Group 2008 £m (restated)	Company 2009 £m	Company 2008 £m
Reserves					
Negative goodwill	24	**51.7**	36.9	**–**	–
Revaluation reserve	25	**2.5**	37.8	**–**	–
Designated reserves	25	**7.3**	7.3	**–**	–
Restricted reserves	25	**0.8**	1.1	**–**	–
Revenue reserve	25	**109.1**	113.4	**(9.6)**	(3.2)
		171.4	196.5	**(9.6)**	(3.2)

These financial statements were approved by the board of directors on 21 July 2009 and were signed on its behalf on 24 August 2009 by:

Adrian Bell
Group Chair

Mark Gayfer
Group Director of Finance

Stephen Robertson
Group Company Secretary

Consolidated cash flow statement (Year ended 31 March 2009)

	Note	2009 £m	2008 £m
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus		**22.8**	22.4
Depreciation charges and impairment		**13.2**	9.6
Amortisation of negative goodwill		**(0.4)**	(0.4)
Profit on sale of first tranche sales		**(1.9)**	–
Loss on investments and other fixed assets		**0.5**	–
Increase in stocks		**(1.0)**	(32.9)
Decrease/(increase) in debtors		**32.2**	(3.3)
Increase in creditors		**11.5**	19.0
Increase in provisions		**(0.6)**	(1.1)
Movement on reserves		**–**	(0.7)
Adjustment for pension funding		**–**	0.2
Net cash inflow from operating activities		**76.3**	12.8
Cash flow statement			
Cash flow from operating activities		**76.3**	12.8
Returns on investments and servicing of finance	29	**(72.7)**	(41.5)
Taxation		**–**	0.1
Capital expenditure and financial investment (net)	29	**(205.0)**	(323.2)
Acquisitions	29	**(5.0)**	–
Cash outflow before management of liquid resources and financing		**(206.4)**	(351.8)
Management of liquid resources	29	**(0.6)**	(0.5)
Financing	29	**257.8**	335.3
Increase/(decrease) in cash in the period		**50.8**	(17.0)
Reconciliation of net cash flow to movement in net debt	30		
Increase/(decrease) in net cash in the period		**50.8**	(17.0)
Cash used to increase liquid resources		**0.6**	0.5
Net change in borrowing		**(257.8)**	(335.3)
Non-cash changes		**(0.7)**	–
Movement in net debt in the period		**(207.1)**	(351.8)
Net debt at the start of the period		**(1,106.5)**	(755.1)
Net debt at the end of the period		**(1,313.6)**	(1,106.9)

Statement of total recognised surpluses and deficits (Year ended 31 March 2009)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Surplus for the financial year	**0.7**	12.0	**0.1**	1.4
Unrealised (decrease)/increase on revaluation of joint ventures investment properties	**(34.1)**	22.1	**–**	–
Actuarial loss recognised in the pension schemes	**(6.5)**	(2.9)	**(6.5)**	(2.9)
Total recognised surpluses and deficits relating to the financial year	**(39.9)**	31.2	**(6.4)**	(1.5)

Note of historical cost surpluses and deficits (Year ended 31 March 2009)

	2009 £m	2008 £m
Group		
Reported (deficit)/surplus on ordinary activities before taxation	**(1.4)**	10.9
Realisation of property revaluation gains of previous years	**1.2**	–
Historical cost (deficit)/surplus on ordinary activities before taxation	**(0.2)**	10.9
Historical cost surplus for the year retained after taxation	**1.9**	12.0

Reconciliation of movements in reserves (Year ended 31 March 2009)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Surplus for the financial year	**0.7**	12.0	**0.1**	1.4
Negative goodwill arising on acquisition	**15.2**	–	**–**	–
Actuarial loss recognised in the pension schemes	**(6.5)**	(2.9)	**(6.5)**	(2.9)
Unrealised (decrease)/increase on revaluation of joint ventures investment properties	**(34.1)**	22.1	**–**	–
Other recognised surpluses and deficits relating to the year (net)	**(0.4)**	1.1	**–**	–
Net (reduction in)/addition to reserves	**(25.1)**	30.1	**(6.4)**	(1.5)
Opening reserves	**196.5**	166.4	**(3.2)**	(1.7)
Closing reserves	**171.4**	196.5	**(9.6)**	(3.2)

Notes

(Forming part of the financial statements, year ended 31 March 2009)

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2008, under the historical cost accounting rules with the exception of listed investments which are included at market value and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Basis of consolidation

The consolidated accounts incorporate the financial statements of Genesis Housing Group Limited, its subsidiaries, associates and joint ventures. Further details of the subsidiaries, associates and joint ventures are disclosed in note 15. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where appropriate. All financial statements are made up to 31 March 2009 except Silver Property Development Limited, whose financial year ends on 31 October. The directors do not consider it appropriate to alter the year end of Silver Property Development Limited because the company is expected to be wound up in the near future.

Negative goodwill

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 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.

Investments

Investments in subsidiary undertakings and loans to joint ventures are stated at cost less amounts written off.

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.

Listed investments are stated at their market value.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Goodwill is amortised over 10 years.

Fixed assets and depreciation

Housing properties

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. Capitalised interest is the interest on borrowings specifically financing the development or construction of those 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 higher of value in use and the net recoverable amount. Any such write down is charged to operating surplus.

When housing properties are developed for sale to another social landlord, the cost less any related capital grant is dealt with in current assets under housing properties and stock for sale.

Completed housing properties in subsidiaries acquired are valued at existing used value for social housing at the date of acquisition, plus related social housing grant.

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%.

Low cost home ownership properties are split between current and fixed assets on initial recognition, treating the first tranche proportion as current asset. 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 ("SHG") in respect of low cost home ownership properties are allocated against the fixed element of the low cost home ownership property and is treated as a deduction from fixed assets.

Notes

(Forming part of the financial statements, year ended 31 March 2009)

Subsequent tranches sold ("staircasing") are reflected in the income and expenditure account 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

SHG is receivable from the Homes and Communities Agency and is utilised to reduce the capital cost of housing properties, including land cost. SHG due from the Homes and Communities Agency 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 Homes and Communities Agency. 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 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 Homes and Communities Agency 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".

Other fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

	per annum
Freehold office premises and commercial premises	1 2/3%
Office improvements	15%
Motor vehicles	25%
Office furniture and computer equipment	25%
Key workers' furniture	25%
Tenants' furniture	33 1/3%

No depreciation is provided on freehold land.

Supported housing schemes

The Group receives Supporting People Grant from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the income and expenditure account. Any excess of cost over the grant received is borne by the Group where they are not recoverable from tenants.

Service charges

The Group uses the variable method for calculating and charging service charges for most tenants and leaseholders.

Expenditure is recorded when an amount is charged to the relevant service charge account or to a sinking fund. Income is recorded as it is charged to leaseholders and tenants.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Post-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 and more recently career averaged revalued earnings. 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.

1. ACCOUNTING POLICIES (contInued)

Housing properties, stock for sale and work in progress

This policy applies to all properties, including housing properties, stock for sale and work in progress. Stocks are stated at the lower of cost and net realisable value. For work in progress and stock for resale cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the income and expenditure account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

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 payment of the amounts.

Taxation

The Group is VAT registered. As a large proportion of its income, including rents, is exempt, this gives rise to a partial exemption calculation. Expenditure is therefore shown gross of value added tax, where applicable.

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Turnover

Turnover represents rental income, service charge income receivable, management fees (excluding Value Added Tax), revenue grants, first tranche sales of low cost home ownership properties and other income including sales of properties developed for outright sale. All turnover arose in the United Kingdom.

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2009 Turnover £m	2009 Cost of sales £m	2009 Impairment £m	2009 Other opearting costs £m	2009 Operating surplus/ (deficit) £m	2008 Turnover £m	2008 Cost of sales (deficit) £m	2008 Impairment £m	2008 Other operating costs £m	2008 Operating surplus/ (deficit) £m
Social housing lettings										
General needs	75.1	–	–	(43.6)	31.5	70.3	–	–	(44.2)	26.1
Temporary housing	69.8	–	–	(66.6)	3.2	73.0	–	–	(69.7)	3.3
Supported housing	24.5	–	(0.3)	(23.7)	0.5	18.2	–	(0.5)	(17.4)	0.3
Low cost home ownership	5.9	–	–	(2.6)	3.3	4.6	–	–	(1.9)	2.7
Keyworker accommodation (NHS)	6.7	–	–	(4.5)	2.2	6.0	–	–	(4.0)	2.0
	182.0	–	(0.3)	(141.0)	40.7	172.1	–	(0.5)	(137.2)	34.4
Other social housing activities										
First tranche sales	32.1	(30.2)	–	–	1.9	38.4	(35.5)	–	(3.8)	(0.9)
Supporting people contract	3.2	–	–	(2.7)	0.5	0.5	–	–	(0.5)	–
Development administration	–	–	–	(2.1)	(2.1)	–	–	–	(2.6)	(2.6)
Non Social lettings	4.2	–	–	(4.0)	0.2	0.2	(0.2)	–	–	–
Other activities	10.8	(7.2)	(6.6)	(15.4)	(18.4)	6.5	(0.8)	(5.3)	(8.9)	(8.5)
	232.3	(37.4)	(6.9)	(165.2)	22.8	217.7	(36.5)	(5.8)	(153.0)	22.4

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs £m	Temporary housing £m	Supported housing £m	Low cost home ownership £m	Key worker accommodation (NHS) £m	**Total 2009 £m**	Total 2008 £m
Turnover from social housing lettings							
Rents receivable net of identifiable service charges	65.5	69.8	12.0	4.3	6.4	**157.7**	150.6
Service charges	4.3	–	8.8	1.3	–	**14.7**	9.4
Gross rental income	69.8	69.8	20.8	5.6	6.4	**172.4**	160.0
Rent and service charge losses from voids	(1.1)	(2.5)	(1.2)	(0.1)	(0.3)	**(5.2)**	(3.2)
Net rental income	68.7	67.3	19.6	5.5	6.1	**167.2**	156.8
Management fees receivable	6.2	1.8	–	0.4	3.3	**11.7**	9.2
Supported people grant	–	–	4.0	–	–	**4.0**	3.9
Grants from local authorities and other agencies	–	–	0.9	–	–	**0.9**	1.1
Other income	0.2	0.7	–	–	(2.7)	**(1.8)**	1.1
Total turnover from social housing lettings	75.1	69.8	24.5	5.9	6.7	**182.0**	172.1
Operating costs on social housing lettings							
Housing management	(18.1)	(7.1)	(6.1)	(1.1)	(2.7)	**(35.1)**	(33.5)
Care and support	(0.2)	–	(3.4)	–	–	**(3.6)**	(3.7)
Service charges	(5.0)	–	(7.9)	(0.7)	–	**(13.6)**	(9.4)
Routine maintenance	(8.2)	(5.0)	(2.7)	(0.2)	–	**(16.1)**	(15.1)
Planned maintenance	(2.8)	(0.1)	(0.3)	–	(1.0)	**(4.2)**	(4.3)
Major repairs expenditure	(6.2)	–	(2.4)	–	0.2	**(8.4)**	(10.6)
Rent losses from bad debts	(0.4)	(1.2)	(0.5)	(0.4)	–	**(2.5)**	(1.7)
Landlords' rents	(0.2)	(53.8)	(0.1)	–	–	**(54.1)**	(55.9)
Property depreciation and amortisation	(2.5)	–	(0.3)	(0.2)	(1.0)	**(4.0)**	(3.6)
Impairment	–	–	(0.3)	–	–	**(0.3)**	(0.5)
Dilapidations	–	0.6	–	–	–	**0.6**	1.1
Tax provision	–	–	–	–	–	**–**	(0.5)
Total operating costs on social housing lettings	(43.6)	(66.6)	(24.0)	(2.6)	(4.5)	**(141.3)**	(137.7)
Operating surplus	31.5	3.2	0.5	3.3	2.2	**40.7**	34.4

4. NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Surplus/(deficit) on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation and other amounts written off tangible fixed assets:				
– Owned	**6.3**	5.5	**0.9**	0.6
Impairment	**6.9**	5.8	**–**	–
Amortisation of negative goodwill	**(0.4)**	(0.3)	**–**	–
Capitalised interest written off as part of impairment	**1.6**	0.7	**–**	–
Operating leases:				
– Land and buildings – temporary housing	**54.0**	55.4	**–**	–
– Land and buildings – offices	**1.8**	1.6	**1.2**	1.2
– Hire of other assests	**0.2**	–	**–**	–

Auditor's remuneration:	Group 2009 £m	Group 2008 £m
Amounts receivable by the auditors and their associates in respect of:		
– Audit of these financial statements and of consolidated financial statements and financial statements of subsidiaries pursuant to legislation	**0.2**	0.2
– Other services relating to taxation	**0.1**	0.1
– Services relating to corporate finance advice	**0.1**	–

Auditors' remuneration for the audit of the company's financial statements amounts to £16,000 (2008: £15,000).

Notes

(Forming part of the financial statements, year ended 31 March 2009)

5. REMUNERATION OF DIRECTORS

Remuneration disclosed includes remuneration of the Board Members, the Group Chief Executive and the Executive Officers.

	2009	2008
	£'000	£'000
Directors' emoluments (including pension contributions)	**1,219**	1,066

The aggregate of emoluments of the highest paid director was £194,000 (2008: £200,000) and pension contributions of £46,000 (2008: £46,000) were made to a defined benefit scheme.

Retirement benefits are accruing to the following number of directors under:

	2009	2008
	No.	No.
Money purchase schemes	1	2
Defined benefit schemes	3	3

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.

6. STAFF NUMBERS AND COSTS

The average number of persons (expressed as full time equivalents) employed (including directors) during the year, analysed by category, was as follows:

	Group	Group	**Company**	Company
	2009	2008	**2009**	2008
	No.	No.	**No.**	No.
Administration	**169**	167	**148**	145
Operations	**52**	26	**22**	26
Development	**55**	72	**55**	72
Housing management	**571**	533	**497**	486
Care and support	**501**	312	**–**	–
Fundraising	**2**	2	**2**	2
	1,350	1,112	**724**	731

The aggregate payroll costs of these persons were as follows:	**Group**	Group	**Company**	Company
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Wages and salaries	**35.2**	30.8	**27.2**	21.7
Social security costs	**3.5**	2.8	**2.7**	2.1
Employees insurance costs	**0.1**	0.1	**0.1**	0.1
Other pension costs	**2.3**	1.4	**1.8**	0.9
	41.1	35.1	**31.8**	24.8

Included in the above is £3.5m relating to St. Matthew Housing Limited, which joined the Group during the year.

Notes

(Forming part of the financial statements, year ended 31 March 2009)

7. SURPLUS ON SALE OF PROPERTIES

	Property staircasing ownership sales £m	Other property sales £m	**Total 2009 £m**	Total 2008 £m
Group				
Cost of sales	(1.7)	(7.8)	**(9.5)**	(21.0)
	(1.7)	(7.8)	**(9.5)**	(21.0)
Proceeds	2.9	18.7	**21.6**	39.3
Surplus on sale	1.2	10.9	**12.1**	18.3
Share of joint ventures				
(Loss)/surplus on sale	–	(0.2)	**(0.2)**	0.9

8. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Income from joint ventures	**0.3**	0.5	**–**	–

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Bank interest	**1.7**	0.8	**–**	–
Loan amortisation on consolidation	**0.9**	0.9	**–**	–
Other	**1.7**	2.1	**–**	–
	4.3	3.8	**–**	–
Share of joint ventures	**0.1**	0.2	**–**	–

Notes

(Forming part of the financial statements, year ended 31 March 2009)

10. OTHER FINANCE INCOME

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Expected return on pension scheme assets	**2.4**	2.4	**2.4**	2.4
Interest on pension scheme liabilities	**(2.4)**	(2.0)	**(2.4)**	(2.0)
	–	0.4	**–**	0.4

11. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
On bank loans and overdrafts	**70.3**	52.7	**–**	–
Less finance costs capitalised (see below)	**(37.1)**	(24.1)	**–**	–
Amortisation of loan costs	**0.7**	1.0	**–**	–
	33.9	29.6	**–**	–
Share of joint ventures				
On bank loans, overdrafts and other loans	**10.6**	10.5	**–**	–

Finance costs have been capitalised into tangible fixed assets at a rate of 6.0% (2008: 5.99%).

Notes

(Forming part of the financial statements, year ended 31 March 2009)

12. TAXATION

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Analysis of charge in period				
UK corporation tax				
Current tax on income for the period	–	–	–	–
Adjustments in respect of prior periods	–	(0.1)	–	(0.1)
Total current tax	–	(0.1)	–	(0.1)
Deferred tax (see note 18)				
Origination of timing differences	(2.1)	(1.0)	–	–
Total deferred tax	(2.1)	(1.0)	–	–
Tax on surplus on ordinary activities	(2.1)	(1.1)	–	(0.1)

Factors affecting the tax charge for the current period:

The current tax charge for the period is higher (2008: lower) than the standard rate of corporation tax in the UK (28%, 2008: 30 %). The differences are explained below:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current tax reconciliation				
(Deficit)/surplus on ordinary activities before tax	(0.7)	10.9	0.2	1.3
Corporation tax at 28% (2008: 30%)	(0.2)	3.3	0.1	0.4
Effects of:				
Expenses not deductible for tax purposes	–	0.6	–	0.1
Surplus covered by charitable exemption	(3.0)	(5.2)	–	–
Capital allowances for period in excess of depreciation	(0.1)	(0.1)	(0.1)	(0.1)
Utilisation of tax losses	(0.1)	–	(0.1)	(0.2)
Unutilised losses carried forward	3.3	1.5	–	–
Adjustment – pension contributions	0.1	(0.1)	0.1	(0.2)
Adjustments to tax charge in respect of previous periods	–	(0.1)	–	(0.1)
Total current tax charge (see above)	–	(0.1)	–	(0.1)

Factors that may affect future current and total tax charges:

No provision has been made for deferred tax assets on trading losses. The total amount unprovided for is £2.0m. At present, it is not envisaged that these tax losses will be utilised in the foreseeable future.

13. TANGIBLE FIXED ASSETS

	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 beginning of year	1,225.7	456.6	1.6	152.2	117.0	**1,953.1**
Additions – work done	6.5	273.8	–	–	73.1	**353.4**
Additions – completed properties	7.9	–	–	–	–	**7.9**
Acquired on acquisition – completed properties	34.6	–	–	–	–	**34.6**
Disposals	(7.3)	–	(0.1)	(34.1)	–	**(41.5)**
Transfers between items	25.5	(25.1)	–	(26.9)	26.5	**–**
Transfers from current assets	–	–	–	(22.7)	35.3	**12.6**
Properties completed	187.9	(187.9)	–	155.8	(155.8)	**–**
At end of year	1,480.8	517.4	1.5	224.3	96.1	**2,320.1**
Capital grant						
At beginning of year	607.5	131.1	0.7	75.0	19.8	**834.1**
Acquired on acquisition	16.5	–	–	–	–	**16.5**
Received during year	0.9	65.3	–	–	21.3	**87.5**
On disposals	(6.6)	–	–	(6.5)	–	**(13.1)**
Transfers between items	1.0	(5.6)	–	(3.0)	7.6	**–**
Transfers on completion	91.2	(91.2)	–	30.7	(30.7)	**–**
At end of year	710.5	99.6	0.7	96.2	18.0	**925.0**
Depreciation and impairment						
At beginning of year	23.3	4.1	0.1	–	–	**27.5**
Charge for year	4.7	–	–	–	–	**4.7**
Impairment	0.9	3.0	–	–	–	**3.9**
On disposals	(0.1)	–	–	–	–	**(0.1)**
At end of year	28.8	7.1	0.1	–	–	**36.0**
Net book value						
At 31 March 2009	**741.5**	**410.6**	**0.8**	**128.1**	**78.1**	**1,359.1**
At 31 March 2008	594.9	321.4	0.8	77.2	97.2	1,091.5

13. TANGIBLE FIXED ASSETS (continued)

Housing properties have been subject to an impairment review. Value in use is based upon net present values, using a discount rate of 5% and an appraisal period of 30 years and properties are written down to the higher of value in use or net realisable value.

Included in the cost of tangible fixed assets is £37.1m (2008: £24.1m) in respect of capitalised finance costs at an average of 6.0 % (2008: 5.99%).

	Group 2009 £m	Group 2008 £m
The net book value of housing properties comprises:		
Freehold	**1,300.9**	1,033.6
Leasehold	**58.2**	57.9
	1,359.1	1,091.5
Spend on major repairs on existing properties	**14.9**	16.1
Capitalised	**(6.5)**	(5.5)
Expensed through the income and expenditure account	**8.4**	10.6

14. INTANGIBLE FIXED ASSETS

	Goodwill £m
Cost	
Acquisition	0.2
At end of year	0.2
Amortisation	
Charged in year	–
At 31 March 2009	–
Net book value	
At 31 March 2009	**0.2**

The fair values of intangible assets acquired as part of a business are determined by reference to market value. Goodwill is amortised over 10 years, being the period over which the Group is expected to derive benefit.

Notes

(Forming part of the financial statements, year ended 31 March 2009)

15. FIXED ASSET INVESTMENTS

a) Subsidiary undertakings

The undertakings in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Paddington Churches Housing Association Limited	Industrial & Provident Society	Registered social landlord	Nil-managed on a unified basis
PCHA Building Services Limited*	United Kingdom	Dormant	Ordinary-100%
PCHA Management Services Limited*	United Kingdom	Dormant	Ordinary-100%
Cymbeline Court Residents Association Limited*	United Kingdom	Dormant	Ordinary-100%
European Urban St. Pancras 2 Limited*	United Kingdom	Commercial property investment	Ordinary-100%
Pathmeads Housing Association Limited	Industrial & Provident Society	Registered social landlord	Nil-managed on a unified basis
Pathmeads Residential Limited*	United Kingdom	Property management	Ordinary-100%
Springboard Housing Association Limited	Industrial & Provident Society	Registered social landlord	Nil-managed on a unified basis
Genesis Community Foundation	United Kingdom	Charity-social regeneration	Nil-managed on a unified basis
Genfinance Limited	Industrial & Provident Society	Treasury	Ordinary-100%
Geninvest Limited	United Kingdom	Non-regulated investments	Ordinary-100%
Genesis Purchasing Limited	United Kingdom	Procurement	Ordinary-100%
Larden New Homes Limited*	United Kingdom	Acquisition and development of site at Larden Road	Ordinary-100%
Central Chelmsford Development Agency Limited*	United Kingdom	Property development and investment	Ordinary-100%
Stoke Quay New Homes Limited*	United Kingdom	Property development and investment	Ordinary-100%
Choices for Grahame Park Limited*	United Kingdom	Acquisition and development of site at Grahame Park	Ordinary-100%
Pathmeads Property Services Limited*	United Kingdom	Property repairs and maintenance	Ordinary-100%
Genesis Housing Management Limited*	United Kingdom	Dormant	Ordinary-100%
Silver Property Development Company Limited*	United Kingdom	Property development and investment	Ordinary-100%
St. Matthew Housing Limited*	Industrial & Provident Society	Registered social landlord	Nil-managed on a unified basis
Shenstone Services Limited*	United Kingdom	Property repairs and maintenance	Ordinary-100%
Genesis Homes Development LLP*	United Kingdom	Property development	100%

* held indirectly

15. FIXED ASSET INVESTMENTS (continued)

On 1 April 2008 the Group acquired St. Matthew Housing Limited, an Industrial and Provident Society and registered social landlord. The resulting negative goodwill of £15.2m was capitalised and will be recognised as income over 100 years or on disposal of the underlying properties. The reason for selecting this period is to amortise the goodwill over the expected life of the properties.

	Book value £m	Revaluation £m	Fair value £m
Fixed assets			
Properties	3.5	14.6	18.1
Other tangible fixed assets	0.5	–	0.5
Current assets			
Debtors	0.4	–	0.4
Total assets	4.4	14.6	19.0
Liabilities			
Creditors	(3.8)	–	(3.8)
Total liabilities	(3.8)	–	(3.8)
Net assets	0.6	14.6	15.2
Negative goodwill			(15.2)
Purchase consideration and costs of acquisition			–

The housing properties were valued at existing use value for social housing and the office building at market value.

In its previous financial year to 31 March 2008, St. Matthew Housing Limited made a deficit of £2,172,000.

15. FIXED ASSET INVESTMENTS (continued)

On 1 August 2008 the Group acquired all of the ordinary shares of Shenstone Services Limited. The resulting goodwill of £0.2m was capitalised and will be written off over 10 years. The reason for selecting that period is to amortise over the period in which the Group is expected to derive benefit.

	Book value and their fair value £m
Fixed assets	
Other tangible fixed assets	0.2
Current assets	
Debtors	0.7
Total assets	0.9
Liabilities	
Creditors	(0.9)
Total liabilities	(0.9)
Net assets	–
Goodwill	0.2
Purchase consideration and costs of acquisition	0.2

The acquired undertaking made a loss of £70,000 from the beginning of its financial year to the date of acquisition. In the previous financial year commencing on 1 January 2007, the loss was £168,000.

15. FIXED ASSET INVESTMENTS (continued)

On 1 April 2008, the Group acquired all of the ordinary shares of Silver Property Development Company Limited.

	Book value £m	Revaluation £m	Fair value £m
Current assests			
Stock	1.5	4.5	6.0
Debtors	0.2	–	0.2
Total assets	1.7	4.5	6.2
Liabilities			
Creditors	(2.0)	–	(2.0)
Total liabilities	(2.0)	–	(2.0)
Net (liabilities)/assets	(0.3)	4.5	4.2
Goodwill			–
Purchase consideration and costs of acquisition			4.2

Silver Property Development Company Limited has an accounting reference date of 31 October.

Capital and reserves at 31 October 2008 were nil and results for the year ended 31 October 2008 were £0.2m.

The acquired undertaking made a loss of £77,000 from the beginning of its financial year to the date of acquisition. In its previous financial year commencing on 1 November 2006 the loss was £79,000.

15. FIXED ASSET INVESTMENTS (continued)

b) Associated undertakings

Participating interests	Country of incorporation	Principal activity	Class and percentage of shares held
Logic Homes Limited	United Kingdom	Joint venture with house builders and architects	Ordinary-12.5%
Low C Living Limited*	United Kingdom	Property development	Ordinary-33.3%

* held indirectly

c) Joint ventures

Participating interests	Country of incorporation	Principal activity	Percentage
Grainger Geninvest LLP*	United Kingdom	Property investment	50%
Grainger Geninvest No 2 (2006) LLP*	United Kingdom	Property investment	50%
Gentect Ridgemond Park LLP*	United Kingdom	Property development	25%
Quintessential Homes (Wembley) LLP*	United Kingdom	Property development	25%
Bishopsgate Apartments LLP*	United Kingdom	Property development	50%

* held indirectly

	2009 £m
Group	
Share of assets	
Share of fixed assets	139.8
Share of current assets	28.9
	168.7
Share of liabilities	
Liabilities due within one year or less	(9.8)
Liabilities due after more than one year	(160.0)
Share of net liabilities	(1.1)

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

	Year end	Capital & reserves	Results
Grainger Geninvest LLP	30 September 2008	£4.7m	£(3.8)m
Grainger Geninvest No 2 (2006) LLP	30 September 2008	£(10.9)m	£(10.9)m

Group	£m
Loans to joint ventures	
At beginning of the year	15.3
Additions	0.5
At 31 March 2009	15.8

Loans to joint ventures at 1 April 2008 have been restated to include amounts previously shown in Debtors due after more than one year.

15. FIXED ASSET INVESTMENTS (continued)

d) Listed investments at market value

	£m
Group	
At beginning of year	**1.1**
Net losses	**(0.3)**
At end of year	**0.8**
Historical cost at 31 March 2009	**1.3**

16. OTHER FIXED ASSETS

	Commercial properties £m	Freehold office premises £m	Office improvements £m	Motor vehicles £m	Office furniture and computer equipment £m	Key workers' furniture £m	Tenants' furniture £m	**Total £m**
Group								
Cost								
At beginning of year	3.3	7.2	3.2	0.2	5.1	0.8	1.5	**21.3**
Acquired on acquisition	–	1.8	–	0.1	0.1	–	–	**2.0**
Additions	–	0.1	0.1	–	2.5	–	0.2	**2.9**
Disposals	–	(0.1)	–	–	(0.4)	–	–	**(0.5)**
At end of year	3.3	9.0	3.3	0.3	7.3	0.8	1.7	**25.7**
Capital grant								
Acquired on acquisition	–	1.3	–	–	–	–	–	**1.3**
At 31 March 2009	–	1.3	–	–	–	–	–	**1.3**
Depreciation and impairment								
At beginning of year	0.7	1.3	1.4	0.2	1.8	0.7	0.7	**6.8**
Charge for year	–	0.1	0.3	–	1.0	–	0.2	**1.6**
On disposals	–	–	–	–	(0.3)	–	–	**(0.3)**
Reversal of past impairments	(0.6)	–	–	–	–	–	–	**(0.6)**
At end of year	0.1	1.4	1.7	0.2	2.5	0.7	0.9	**7.5**
Net book value								
At 31 March 2009	**3.2**	**6.3**	**1.6**	**0.1**	**4.8**	**0.1**	**0.8**	**16.9**
At 31 March 2008	2.6	5.9	1.8	–	3.3	0.1	0.8	14.5

16. OTHER FIXED ASSETS (continued)

	Office improvements £m	Office furniture and computer equipment £m	**Total £m**
Company			
Cost			
At beginning of year	2.7	3.9	**6.6**
Additions	0.1	1.4	**1.5**
Disposals	–	(0.4)	**(0.4)**
At end of year	2.8	4.9	**7.7**
Depreciation			
At beginning of year	0.9	0.9	**1.8**
Provided in year	0.3	0.6	**0.9**
Disposals	–	(0.4)	**(0.4)**
At end of year	1.2	1.1	**2.3**
Net book value			
At 31 March 2009	**1.6**	**3.8**	**5.4**
At 31 March 2008	1.8	3.0	4.8

17. HOUSING PROPERTIES, STOCK FOR RESALE AND WORK IN PROGRESS

	2009 £m	2008 £m
Group		
Low cost home ownership properties – for sale	**31.3**	8.7
Low cost home ownership properties – under construction	**46.6**	81.0
Outright sale properties – for sale	**6.1**	–
Outright sale properties – under construction	**58.2**	54.1
Other	**21.6**	15.4
	163.8	159.2
Impairment		
At beginning of year	**1.7**	–
Charge for year	**3.6**	1.7
At end of year	**5.3**	1.7
Net book value	**158.5**	157.5

18. DEBTORS

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Amounts receivable within one year:				
Rent and service charge arrears	**23.9**	19.9	**–**	–
Provision for bad and doubtful debts	**(9.9)**	(7.6)	**–**	–
	14.0	12.3	**–**	–
Amounts owed by group undertakings	**–**	–	**74.1**	85.5
Amounts owed by undertakings in which the Group/Company has a participating interest	**6.9**	21.1	**–**	–
Trade debtors	**6.0**	9.7	**–**	–
Other debtors	**7.5**	46.8	**1.3**	2.1
Prepayments and accrued income	**1.2**	1.6	**0.3**	1.0
	35.6	91.5	**75.7**	88.6

	Group 2009 £m	Group 2008 £m (restated - see note 15c)	Company 2009 £m	Company 2008 £m
Amounts receivable after more than one year:				
Other debtors	**1.3**	0.1	**–**	–
Pension debtor	**–**	0.1	**–**	0.2
Deferred tax assets	**5.0**	2.9	**–**	–
Prepayments and accrued income	**1.7**	2.0	**–**	–
	8.0	5.1	**–**	0.2

	2009 £m	2008 £m
Deferred tax assets		
Group		
In respect of tax losses		
At beginning of year	**2.9**	2.1
Credit to the income and expenditure account for the year	**2.1**	0.8
At end of year	**5.0**	2.9

The tax losses will be utilised against future profits.

19. INVESTMENTS (HELD AS CURRENT ASSETS)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Other investments	**8.4**	7.8	**–**	–

Included in the above are cash at bank charged to lenders of £5.9m (2008: £5.7m) and cash at bank held for leaseholders of £2.1m (2008: £2.0m).

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Housing loans	**2.0**	2.6	**–**	–
Guaranteed non-recourse housing loans	**1.0**	2.3	**–**	–
Total housing loans (see note 21a and 21b)	**3.0**	4.9	**–**	–
Bank overdrafts	**0.3**	19.1	**–**	19.1
Trade creditors	**13.4**	8.8	**1.0**	3.5
Amounts owed to group undertakings	**–**	–	**75.8**	69.1
Amounts owed to undertakings in which the Group/Company has a participating interest	**2.2**	18.3	**–**	–
Taxation and social security	**1.3**	0.8	**0.6**	0.7
Other creditors	**35.2**	21.0	**1.1**	0.8
Capital grant recycling fund (see note 21c)	**0.3**	2.0	**–**	–
Disposal proceeds fund in respect of right to acquire sales (see note 21c)	**0.9**	–	**–**	–
Accruals and deferred income	**22.5**	24.0	**3.1**	
	79.1	98.9	**81.6**	93.2

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

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Housing loans	**1,360.5**	1,100.2	**–**	–
Guaranteed non-recourse housing loans	**7.7**	7.6	**–**	–
Amounts owed to group undertakings	**–**	–		
Other creditors	**6.4**	17.0	**0.4**	0.6
Capital grant recycling fund (see below)	**6.0**	7.6	**–**	–
Disposal proceeds fund in respect of right to acquire sales (see below)	**3.5**	2.9	**–**	–
Cyclical and major repairs fund	**3.7**	3.6	**–**	–
	1,387.8	1,138.9	**0.4**	0.6

The maturity of the housing loans is as follows:

Group

(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:

	2009 £m	2008 £m
Repayable by instalments		
Within one year	**0.9**	2.6
In the second to fifth years	**30.9**	150.3
Over five years	**1,103.0**	898.8
	1,134.8	1,051.7
Not repayable by instalments		
Within one year	**1.1**	–
In the second to fifth years	**107.0**	–
Over five years	**123.0**	52.8
	231.1	52.8
Less unamortised loan costs	**(6.7)**	(5.0)
Add loan premium	**3.3**	3.3
	227.7	51.1

21. 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 rental stream receivable from the local authorities is guaranteed by them to cover the loans and interest payments. They are index-linked and are secured by fixed charges on the relevant properties. They are repayable as follows:

	2009 £m	2008 £m
Repayable by instalments		
Within one year	1.0	2.3
In the second to fifth years	3.0	3.1
Over five years	4.7	4.5
	8.7	9.9

(c) Capital grant recycling fund and disposal proceeds fund in respect of right to acquire sales

	2009 £m	2008 £m
Capital grant recycling fund:		
Due within one year	0.3	2.0
Due after more than one year	6.0	7.6
Disposal proceeds fund in respect of right to acquire sales:		
Due within one year	0.9	–
Due after more than one year	3.5	2.9
	10.7	12.5

	2009 £m
Reconciliation of movement during year:	
At beginning of year	12.5
Grants recycled	4.1
Interest accrued	0.3
New build	(2.8)
Major repairs and works to existing stock	(3.4)
At end of year	10.7
Amount due for repayment to the Homes and Communities Agency	–

(d) Derivative transactions

The Group has entered into derivative financial contracts as follows:

	Principal 2009 £m	Fair value 2009 £m	Principal 2008 £m	Fair value 2008 £m
Stand alone contracts				
Interest rate swap contracts with options	70.0	(14.9)	70.0	1.8
RPI swap contracts	86.0	(19.0)	150.0	16.0
Basis swap	70.0	(0.3)	–	–

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

Interest rate swaps

The interest rate swap counterparties have an option to cancel the transactions in January 2012, the first exercise date and at fixed dates thereafter. If they do not cancel on the exercise date, the notional amount is doubled and remains at the same fixed rate. The counterparty can only double the notional amount on the first exercise date. Once cancelled there are no further commitments. The Group anticipates that the swaps will not be cancelled on the exercise date based on the existing forward interest rate curve.

RPI swaps

The Group pays RPI plus a margin and receives 3 month Libor with the RPI rate reset annually in September. The current RPI forecast for September 2009 is minus 2% which would result in the counterparties paying Genesis for the period from 1 April 2010.

Basis swap

The basis swap matured in April 2009.

	Principal 2009 £m	Principal 2008 £m
Contracts embedded in housing loans		
Embedded fized rate contracts	**447.2**	167.2
Fixed rate contracts with options	**140.0**	140.0
Embedded RPI contracts	**72.7**	8.7
Total	**659.9**	315.9

The options on the fixed rate embedded contracts allow the counterparties to cancel or re-price the contracts. The first cancellation date option date is August 2009 and the counterparty can cancel every 3 months thereafter. The next cancellation option date is January 2012 and every fifth anniversary thereafter. If they do not cancel on the exercise date, the notional amount is doubled and remains at the same fixed rate. The counterparty can only double the notional amount on the first exercise date. Once cancelled there are no further commitments. The Group anticipates that the swaps will not be cancelled on the exercise date based on the existing forward interest rate curve. The first re-price date is March 2018 and then every 2 years thereafter. The Group does not have to accept the re-price on this transaction.

22. PROVISIONS FOR LIABILITIES

	2009 £m
Group	
At beginning of year	**4.6**
Utilised during year	**(0.8)**
Charge to the income and expenditure account for the year	**0.2**
At end of year	**4.0**

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 payment 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.

Notes

(Forming part of the financial statements, year ended 31 March 2009)

23. MEMBERS

	2009 No.	2008 No.
Company		
At beginning of year	**57**	57
Shares cancelled	**(18)**	–
At end of year	**39**	57

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

24. NEGATIVE GOODWILL

	2009 £m
Group	
Cost	
At beginning of year	38.5
Additions	15.2
At end of year	53.7
Amortisation	
At beginning of year	1.6
Amortised in the year	0.4
At end of year	2.0
Net book value	
At 31 March 2009	**51.7**
At 31 March 2008	36.9

Negative goodwill arising on the acquisition of Springboard Housing Association Limited in April 2005 and St. Matthew Housing Limited in April 2008 represents the excess of the fair value of the non-monetary assets acquired over the nil purchase price paid. An amount equal to the fair value of the non-monetary assets acquired is being released to the income and expenditure account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale. In the absence of property sales, negative goodwill relating to the acquisition of Springboard Housing Association Limited and St. Matthew Housing Limited is amortised over the remaining useful lives of the underlying housing properties, being 100 years.

25. RESERVES

	Revaluation reserve (investment properties) £m	Designated reserves £m	Restricted reserves £m	Revenue reserve £m	**Total £m**
Group					
At beginning of year	37.8	7.3	1.1	113.4	**159.6**
(Deficit)/surplus for the year	–	–	(0.3)	1.0	**0.7**
Actuarial loss recognised in the pension schemes	–	–	–	(6.5)	**(6.5)**
Unrealised reduction in revaluation of joint ventures investment properties	(34.1)	–	–	–	**(34.1)**
Transfers	(1.2)	–	–	1.2	**–**
At end of year	**2.5**	**7.3**	**0.8**	**109.1**	**119.7**
Company					
At beginning of year	–	–	–	(3.2)	(3.2)
Surplus for the year	–	–	–	0.1	0.1
Actuarial loss recognised in the pension schemes	–	–	–	(6.5)	(6.5)
At end of year	**–**	**–**	**–**	**(9.6)**	**(9.6)**

	2009 £m	2008 £m
Designated reserves		
Major repairs reserve	**5.5**	5.5
Self insurance reserve	**0.8**	0.8
Development reserve	**1.0**	1.0
	7.3	7.3

Designated reserves

There has been no movement on any of these designated reserves during the year. There may be movements in future years, as circumstances arise as described below.

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 reserve to cover major repairs costs incurred.

Self insurance reserve: Reflecting the fact that a group entity, Paddington Churches Housing Association Limited 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 will be used in the furtherance of the charitable objectives of the donor, The Knowles Charitable Trust.

26. COMMITMENTS

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Contracted for and not provided	**240.6**	437.8	**–**	–
Authorised by the Board and not yet contracted for	**5.0**	862.7	**–**	–
	245.6	1,300.5	**–**	–

The Group expects to finance the above commitments by:

	2009 £m	2008 £m
Proceeds from property sales	**57.6**	993.8
Capital grant receivable	**99.0**	306.7
Cash and available loan facilities	**89.0**	–
	245.6	1,300.5

The Group has cash and signed loan commitments available for drawdown of £208.5m.

(b) Annual commitments under non-cancellable operating leases are as follows:

	2009 Land and buildings £m	2009 Other £m	2008 Land and buildings £m	2008 Other £m
Group				
Operating leases which expire:				
Within one year	**5.7**	**–**	8.5	–
In the second to fifth years inclusive	**40.7**	**0.1**	34.8	–
Over five years	**1.9**	**–**	2.1	0.3
	48.3	**0.1**	45.4	0.3
Company				
Operating leases which expire:				
Within one year	**–**	**–**	–	–
In the second to fifth years inclusive	**–**	**–**	–	–
Over five years	**1.3**	**–**	1.3	–
	1.3	**–**	1.3	–

27. HOUSING UNITS AND BEDSPACES

	2009 units	2008 units
Group		
Under development on site at end of year		
Units for rent	2,093	2,090
Low cost home ownership units	893	2,058
Outright sales units	724	1,528
	3,710	5,676
Under management at end of year		
General needs owned	12,984	13,060
General needs managed on behalf of others	7,948	7,328
Supported housing and housing for older people	2,547	2,393
Temporary housing units	4,265	4,741
Low cost home ownership and other leased units	8,156	7,164
Key worker accommodation	1,482	1,379
Other – non social housing:		
– Market let	351	461
– Protected rent	1,098	1,150
– Leaseholders	89	39
– Intermediate rent	337	–
– Managed for private landlords	457	–
	39,714	37,800
Units owned but managed by others	708	548

28. PENSION SCHEMES

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 benefit 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 24.4% for the sponsoring employer and an annual contribution of £485,000 from 1 June 2007 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 £1,028,000, which includes an annual contribution of £485,000 (2008: £239,000).

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. Employees in this scheme are contracted into the State Earnings Related Pension Scheme.

The charge to the Group for the year was £640,000 (2008: £493,000).

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 £78,000 (2008: £107,000).

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. The total contributions for the year amounted to £512,000 (2008: £559,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

28. PENSION SCHEMES (continued)

PCHA 2001 Pension Scheme

	2009 £m	2008 £m
Employee benefit obligations		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	32.7	31.9
Fair value of planned assets	(24.6)	(28.9)
Net liability	8.1	3.0
Amounts in the balance sheet		
Liabilities	(8.1)	(3.0)
The amounts recognised in surplus or deficit are as follows:		
Current service cost	0.4	0.4
Interest on obligation	1.9	1.6
Expected return on plan assets	(1.9)	(2.0)
Total	0.4	–
Actual return on plan assets	(8.4)	(5.3)
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	31.9	29.7
Service cost	0.4	0.4
Interest cost	1.9	2.0
Actuarial (gains)/losses	(0.8)	0.2
Benefits paid	(0.7)	(0.4)
Closing defined benefit obligation	32.7	31.9

28. PENSION SCHEMES (continued)

	2009 £m	2008 £m
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	**28.9**	30.3
Expected return	**1.9**	2.0
Actuarial losses	**(6.6)**	(3.5)
Contributions by members	**0.1**	0.1
Contributions by employer	**1.0**	0.4
Benefits paid	**(0.7)**	(0.4)
	24.6	28.9

The Group expects to contribute £0.9m in 2010.

	2009 %	2008 %
The major categories of plan assets as a percentage of total plan assets are as follows:		
UK Equities	**40%**	47%
FTSE guaranteed equity notes	**11%**	10%
Overseas equities	**1%**	1%
Overseas notes	**4%**	3%
Bonds	**18%**	30%
Property notes	**3%**	4%
Property	**–**	4%
Cash	**23%**	1%

	2009	2008
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
Discount rate at 31 March	**5.75%**	5.75%
Expected return on plan assets at 31 March	**6.0%**	6.5%
Future salary increases	**4.0%**	4.5%
Future pension increases	**3.0%**	3.5%

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Amounts for the current and previous four periods are as follows:					
Defined benefit obligation	**(32.7)**	(31.9)	(29.7)	(28.5)	(24.3)
Plan assets	**24.6**	28.9	30.3	28.7	23.1
Surplus/(deficit)	**(8.1)**	(3.0)	0.6	0.2	(1.2)
Experience adjustments on plan liabilities	**(0.1)**	0.9	(0.3)	(0.3)	1.5
Experience adjustments on plan assets	**(6.5)**	(3.3)	(0.3)	3.6	3.3

28. PENSION SCHEMES (continued)

London Pension Fund Authority ("LPFA")

	2009 £m	2008 £m
Employee benefit obligations		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	**7.3**	7.6
Fair value of planned assets	**(6.1)**	(7.8)
	1.2	(0.2)
Present value of unfunded obligations	**0.1**	(0.1)
Net liability/(net asset)	**1.3**	(0.1)
Amounts in the balance sheet		
Liabilities	**(1.3)**	–
Assets	**–**	0.1
Net (liability)/asset	**(1.3)**	0.1
The amounts recognised in surplus or deficit are as follows:		
Current service cost	**0.1**	0.1
Interest on obligation	**0.5**	0.3
Expected return on plan assets	**(0.5)**	(0.4)
Total	**0.1**	–
Actual return on plan assets	**(1.6)**	(0.2)
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**7.7**	6.5
Service cost	**0.1**	0.1
Interest cost	**0.5**	0.4
Actuarial (gains)/losses	**(0.8)**	0.9
Benefits paid	**(0.1)**	(0.2)
Closing defined benefit obligation	**7.4**	7.7

28. PENSION SCHEMES (continued)

	2009 £m	2008 £m
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	**7.8**	5.8
Expected return	**0.5**	0.4
Actuarial gains/(losses)	**(2.2)**	1.7
Contributions by members	**–**	–
Contributions by employer	**0.1**	0.1
Benefits paid	**(0.1)**	(0.2)
	6.1	7.8

The Group expects to contribute £0.1m in 2010.

	2009 %	2008 %
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equities	**57%**	60%
Bonds	**10%**	19%
Property	**25%**	18%
Cash	**8%**	3%

	2009	2008
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
Discount rate at 31 March	**6.9%**	6.9%
Expected return on plan assets at 31 March	**6.4%**	7.0%
Future salary increases	**4.6%**	5.1%
Future pension increases	**3.1%**	3.6%

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Amounts for the current and previous four periods are as follows:					
Defined benefit obligation	**(7.4)**	(7.7)	(6.5)	(6.3)	(4.9)
Plan assets	**6.1**	7.8	5.7	5.1	3.9
Surplus/(deficit)	**(1.3)**	0.1	(0.8)	(1.2)	(1.0)
Experience adjustments on plan liabilities	**–**	(2.2)	–	–	(0.2)
Experience adjustments on plan assets	**(2.2)**	1.7	0.1	0.7	0.1

28. PENSION SCHEMES (continued)

Social Housing Pension Scheme ("SHPS")

The Group participates in SHPS, a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. It is not possible to analyse the on-going funding deficit by individual employer due to the nature of the SHPS Scheme. SHPS is a multi-employer scheme where:

- The assets of the entire SHPS are pooled for investment purposes.
- Benefits are paid from the total scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

As a result of this it is not possible to breakdown scheme assets by participating employer and accordingly it is not possible to analyse the on-going funding deficit by individual employer.

Accordingly due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable. The employer contributions over the period were £512,000 (2008: £559,000).

The last formal valuation of the scheme was performed as at 30 September 2008 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the latest valuation date was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 70%. The next full actuarial valuation is expected to be carried out as at 30 September 2011.

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

	% per annum
Valuation discount rates	
- pre-retirement	7.8
- non pensioner post-retirement	6.2
- pensioner post-retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Rate of pensions increases	
- pre 88 GMP	0.0
- post 88 GMP	2.8
- excess over GMP	3.0
Mortality pre-retirement	
- PA92 Year of Birth, long cohort projection, minimum improvement	1.0
Mortality post-retirement	
- 90% S1PA Year of Birth, long cohort projection, minimum improvement	1.0

During the accounting period, the Group paid contributions at the rate of 14.7%. Member contributions varied between 5.3% and 7.3%.

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

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.

29. ANALYSIS OF CASH FLOWS

	2009 £m	2008 £m
Group		
Returns on investment and servicing of finance		
Income from investments	0.3	0.5
Interest received	3.4	1.4
Interest paid	(76.4)	(43.4)
	(72.7)	(41.5)
Capital expenditure and financial investment		
Cash paid for construction and purchase of housing properties	(342.8)	(406.7)
Purchase of other tangible fixed assets	(2.9)	(3.8)
Purchase of investment	–	(4.0)
Sale of housing properties	53.7	39.3
Capital grant received	87.5	52.0
Loan to joint ventures	(0.5)	–
	(205.0)	(323.2)
Acquisitions		
Purchase of subsidiary undertakings	(4.5)	–
Net overdrafts acquired with subsidiaries	(0.5)	–
	(5.0)	–
Management of liquid resources		
Increase in current asset investments	(0.6)	(0.5)
Financing		
New borrowings	279.4	393.9
Repayment of borrowings	(19.2)	(55.5)
Additional loan costs	(2.4)	(3.1)
	257.8	335.3

29. ANALYSIS OF CASH FLOWS (continued)

Purchase of subsidiary undertakings

	2009 £m
Net assets acquired:	
Tangible fixed assets	**18.8**
Stocks	**6.0**
Trade debtors	**1.3**
Trade creditors	**(3.9)**
Bank overdrafts	**(0.5)**
Loans	**(2.2)**
	19.5
Goodwill	**(15.0)**
	4.5
Discharged by:	
Cash paid	**4.5**

30. ANALYSIS OF NET DEBT

	At beginning of year £m	Cash flow £m	Acquisitions (excl cash and overdrafts) £m	Other non cash changes £m	**At end of year £m**
Group					
Cash in hand and at bank	17.5	32.0	–	–	**49.5**
Overdrafts	(19.1)	18.8	–	–	**(0.3)**
	(1.6)	50.8	–	–	**49.2**
Debt due after one year	(1,107.8)	(261.3)	–	0.9	**(1,368.2)**
Debt due within one year	(4.9)	4.8	(2.2)	(0.7)	**(3.0)**
	(1,114.3)	(205.7)	(2.2)	0.2	**(1,322.0)**
Current asset investments	7.8	0.6	–	–	**8.4**
Total	(1,106.5)	(205.1)	(2.2)	0.2	**(1,313.6)**

The subsidiary undertakings acquired during the year contributed £112,000 to the Group's net operating cash flows, paid £138,000 in respect of net returns on investments and servicing of finance and utilised £57,000 for capital expenditure.

Notes

(Forming part of the financial statements, year ended 31 March 2009)

31. POST BALANCE SHEET EVENTS

Eastwards Trust became a wholly owned subsidiary of Springboard Housing Association Limited on 1 April 2009.

32. RELATED PARTY DISCLOSURES

For the year ending 31 March 2009, the following related parties had traded with the Group as follows:

Transactions with associates:

Logic Homes Limited had invoiced the Group £134,000 (2008: £104,000) for its running costs. Logic Homes Limited is an associate of the Group. At 31 March 2009, Genesis Housing Group owed Logic Homes Limited £nil (2008: £nil).

The Group made an interest free loan of £nil (2008: £60,000) to Low C Living Limited. Low C Living Limited is an associate of the Group. At 31 March 2009, the loan balance was £nil (2008: £60,000).

Transactions with joint ventures

Grainger Geninvest LLP had been invoiced by the Group £186,000 (2008: £195,000) and £35,000 (2008: £30,000) for management fees and accounting fees respectively.

Grainger Geninvest No. 2(2006) LLP had been invoiced by the Group £831,000 (2008: £756,000) and £63,000 (2008: £60,000) for management fees and accounting fees respectively.

Grainger Geninvest LLP was charged by the Group interest of £704,000 (2008: £706,000) on loan notes held by Geninvest Limited.

Grainger Geninvest No. 2 (2006) LLP was charged by the Group interest of £340,000 (2008: £341,000) on loan notes held by Geninvest Limited.

Grainger Geninvest LLP and Grainger Geninvest No. 2 (2006) LLP had been invoiced by the Group £155,000 (2008: £391,000) and £349,000 respectively (2008: £541,000) for maintenance services carried out by Pathmeads Property Services Limited.

At 31 March 2009 the following related parties had outstanding balances with the Group:

Grainger Geninvest LLP owed the Group £4,184,000 (2008: £16,808,000). The Group owed £3,000 to Grainger Geninvest LLP.

Grainger Geninvest No. 2 (2006) LLP owed the Group £2,670,000 (2008: £4,337,000).

Grainger Geninvest LLP owed the Group £6,399,000 (2008: £6,399,000) on the loan notes.

Grainger Geninvest No. 2 (2006) LLP owed the Group £4m (2008: £4m) on the loan notes.

Bishopgate Apartments LLP owed the Group £5,379,000 (2008: £4,854,000) in respect of a loan and £5,000 (2008: £5,000) in respect of expenses paid on its behalf.

The Group owed Grainger Geninvest LLP £nil (2008: £17,641,000).

The Group owed Grainger Geninvest No. 2 (2006) LLP £2,247,000 (2008: £670,000).

At 31 March 2009 the following related parties had outstanding balances with Genesis Housing Group Limited, the company:

Grainger Geninvest LLP owed the company £1,113,000 (2008: £160,000).

Grainger Geninvest No. 2 (2006) LLP was owed by the company £471,000 (2008: £1,701,000).

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 Tenant Services Authority (No L4286).

Front cover photo – Zoe Scott and her children are new residents of Factory Quarter on Larden Road, one of our recent developments.

FSC
Mixed Sources
Product group from well-managed forests and recycled wood or fiber
www.fsc.org Cert no. SGS-COC-004075
© 1996 Forest Stewardship Council

Printed with vegetable-based inks on paper that is FSC certified. Being Forest Stewardship Council Certified means that paper stocks are from well managed source.

Capital House
25 Chapel Street
London NW1 5DT

T 020 7563 0120
F 020 7563 0430
E info@ghg.org.uk
www.ghg.org.uk

Company Number: 3802456
Tenant Services Authority Number: L4286

INVESTORS IN PEOPLE

CHARTER MARK
CUSTOMER SERVICE EXCELLENCE

POSITIVE ABOUT DISABLED PEOPLE