

YORKSHIRE HOUSING LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2009
Charitable Industrial & Provident Society
Registered Number: 30443R.

<u>CONTENTS</u>	<u>PAGE</u>
Report of the Board	3 - 9
Operating and Financial Review	10 - 21
Auditors' Report	22 - 23
Consolidated Income and Expenditure Account	24
Consolidated Statement of Total Recognised Surpluses/ (Deficits)	25
Association Income and Expenditure Account	26
Association Statement of Total Recognised Surpluses/ (Deficits)	27
Consolidated Balance Sheet	28
Association Balance Sheet	29
Consolidated Cash Flow Statement	30
Notes to the Financial Statements	31 - 65

YORKSHIRE HOUSING LIMITED

REPORT OF THE BOARD

The Board presents its report and the financial statements of Yorkshire Housing Limited (YHL) for the year ended 31 March 2009. YHL is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Housing Provider (TSA registration No. L4521). YHL was accepted as charitable by HM Revenue & Customs with effect from 1 April 2008.

Group Structure

On 1 April 2008 Yorkshire Housing Limited amalgamated with its former subsidiaries Yorkshire Housing Foundation Limited, Brunel & Family Housing Association Limited, Craven Housing Association Limited, Ryedale (2000) Housing Association Limited and Yorkshire Metropolitan (2000) Housing Association Limited.

As at 31 March 2009 the Yorkshire Housing Group ("Group") comprised, the parent YHL ("Association"), together with the following organisations, both of which are trading subsidiaries of YHL :

Yorkshire Community Property Services Limited	- registered company number 4131362
YH Residential Limited	- registered company number 4604866

The Group also has a third share in Yorkshire Transformations Holdings Limited and a partnership, Safe Haven Yorkshire. These have both been consolidated in the Group under the appropriate accounting policies.

Principal Activities

The principal activity of the Group continues to be the construction and provision of rented housing. The Group also provides housing for sale, mostly on a shared ownership basis, and special needs accommodation. It also provides housing related services across Yorkshire to people in housing need.

Business Review and Results

The Board is satisfied with the results for the year and with the position of the Group and Association as at 31 March 2009. The Group made a deficit for the year after taxation of £1,006,000 (2008: £95,000).

An amount of £616,000 has been transferred to restricted and designated reserves (2008: £619,000).

A detailed statement on the Group's activities, principal risks and operating results are included in the Operational and Financial Review on pages 10 to 21.

Future Developments

The Group is constructing 340 (2008: 383) houses for rent and no (2008:244) units for sale.

Fixed Assets

Significant movements in fixed assets during the year are detailed in notes 13 and 14 to the financial statements.

The Board and Executive Directors

The Board (a voluntary body elected by the members) comprised the following members as at 31 March 2009:

Brian Cottam	(Chair)	Harold Burnip	
Martin Simpson	(Vice-chair)	Asif Malek	Appointed 01/04/08
Michael Backhouse		Nasim Qureshi	Appointed 01/04/08
Doreen Benson		Imelda Havers	Appointed 04/02/09
Jacqui Bateson		Chrissy Wright	Co-opted 04/02/09
Margaret Hamilton			
Jim Taylor			
Richard Quinton			

Resignations in the year:

Sokhjinder Kler	20/08/08
-----------------	----------

REPORT OF THE BOARD (CONTINUED)

The Board and Executive Directors (Continued)

The Board comprises 12 members, elected by the shareholders. 3 of these places are reserved for tenants. An additional member was co-opted during the year to add to the care sector skills available to the Board.

There were 423 members of Yorkshire Housing at 31 March 2009, including the Board above, who each held one fully paid up share of £1. Under the rules of the Association, the surpluses may not be distributed among the members of the Association.

Executive Directors as at 31 March 2009:

Mervyn Jones	Chief Executive	Appointed 09/06/08
Tansy Hepton	Resources Director	
David Bolton	Property Services Director	
Gerard Walsh	Business & Development Director	Appointed 06/05/08

Roy Wallington (Housing Services Director) resigned on 31 October 2008; his role was filled on an interim basis until the appointment of Celia Cashman on 20 April 2009.

The Executive Directors of the Group and Association have no interest in the share capital and, whilst not having the legal status of directors, they act as such within the authority delegated by the Board.

Yorkshire Housing currently has thirteen committees, (Finance, Audit & Performance Review, Nominations, Remuneration, Contractors, Foundation and seven area based Operational Committees) all of which report to the Board. The Board also appoints a small Board to oversee the work of its fully owned company Yorkshire Housing Residential, and its Chair and Vice Chair as directors of its fully owned company Yorkshire Community Property Services.

Employees

Employees are at the heart of the Group's ability to provide high quality services to its customers. The Group invests a significant sum in the training and development of its staff and encourages all staff to reach their potential. Where possible, secondment opportunities are used to allow employees to widen their experience and skills

The Group is accredited by Investors in People. Employees are kept informed of the Group's activities and performance through departmental and team meetings and briefings delivered via e:mail and newsletters. Minutes of Directors' meetings are made available to all staff. During the year all staff were involved in discussions about the new Corporate Plan and were encouraged to give their views directly to the Chief Executive. The Corporate Plan is the basis for all departmental and individual targets.

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the income and expenditure of the Group and Association for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 assume that the Group and Association will continue in operation.

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the Group and Association and enable the Board to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 – 1978, the Housing Act 1996 and the Registered Social Landlords' General Determination 2006. The Board is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE BOARD (CONTINUED)

Provision of information to auditors

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

Internal Controls Assurance

In accordance with Housing Corporation Circular 07/07: Internal Controls Assurance, the Board has conducted an annual review of the systems of internal control within Yorkshire Housing Group. In so doing, it is acknowledged that:

- The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness;
- Such systems are 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 process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place for the previous twelve months and up to the date of approval of the annual report and accounts, and is regularly reviewed by the board; and
- The Board has a current strategy and policy on fraud covering prevention, detection and reporting of fraud, and the recovery of assets.

The Board has put in place the following practices to manage and review the effectiveness of the Group's system of internal controls:

Policies and procedures. There are policies in place in all of the key areas of our business. Up until March 2008, all policies were approved by their relevant Board. Following amalgamation, the Board has approved a framework for delegation of some policies, either to Directors or to a relevant Committee. Each year, the Board receives a report of all policies and strategies due for review and agrees the appropriate approval route. Policies are implemented and communicated by senior management to staff. New or updated policies are implemented via all staff training programmes (e.g. complaints), team briefings (e.g. IT security, risk management) or specifically targeted training (e.g. starter tenancies). Written procedures support these policies where appropriate.

New members of staff receive training in key policies and procedures. During the last financial year a number of policies/procedures were approved or revised in accordance with the agreed schedules set down by the Boards. We maintain a regularly updated and agreed position statement on all policies to ensure they are reviewed and updated on time.

Management Audits. There is a programme of management audits where experienced staff from one office audit compliance with policies and procedures at another office. The learning from these audits is shared across the Association so that any weaknesses can be addressed. The management audit approach also applies within Support Works where regular reviews are made on all aspects of care, support and controls in all of the homes we manage.

Information Technology. Access to systems is password protected and is restricted to relevant job holders. The systems include appropriate levels of segregated duties. Remote access to our systems is held separately to minimise the risk of unauthorised access. Multiple access attempts are regularly reviewed.

Reconciliations, authorisations and reviews. Higher risk areas have specific controls. Bank accounts and control accounts are reconciled regularly. Detailed procedures are in place for cash handling within offices. Recruitment and changes to staff terms and conditions or their access to systems are controlled through standard forms requiring senior manager authorisation.

REPORT OF THE BOARD (CONTINUED)

Internal Controls Assurance (continued)

Monthly reporting. Comprehensive monthly reporting is designed to identify and monitor key risks. A data warehouse gathers performance data from core systems and produces “traffic light” reports to highlight areas or trends of concern. Reports are produced at various levels of detail and are presented to management teams, Directors’ meetings, Committees and the Board. Directors’ attention is focussed on high risk areas; these are described in the Operating and Financial Review.

Staffing and culture. The Group has a strong culture of integrity, which is stressed from the start of all staff members’ employment. The compulsory induction day covers the Group’s Integrity at Work policy and introduces the Whistleblowing policy. Dismissals on the grounds of gross misconduct are publicised to staff to demonstrate the Board’s lack of tolerance in this area.

Business planning and budgeting. The annual planning and budgeting process is used to set objectives, agree action plans and allocate resources. Operational plans are all derived from the high level corporate objectives and incorporate actions identified in various improvement plans and strategies. Staff in all teams are consulted on priorities for the operational plans, which also take into account feedback from customers. Objectives are cascaded down from the corporate level through teams to individuals (in their Performance and Development Reviews) so that it is clear how each individual contributes to the Group’s objectives.

Monthly management accounts are produced and discussed at Directors’ meetings. Progress against budget is reported to each Finance Committee and to relevant Operational Committees. Monthly meetings are held between budget holders and members of the management accounting team in which variance reports are discussed.

Risk Management Strategy. The risk framework helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Group. The key risks are formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by senior management and the Audit Committee. There is a strong focus on risks associated with new business ventures and major projects.

The risk management framework established in 2008 has been rolled out to staff and is now used for all Board and Committee reporting. Risks are discussed regularly by directors and at management and team meetings.

A Risk Register based on the approved definitions is in place and is regularly reviewed and updated by directors and the Audit Committee. Significant emerging or project risks are the subject of specific reports to the Board. Responsibility for each risk is assigned to a named director or head of service and actions to reduce exposure to high (“red”) risks are identified.

Audit Committee. The Audit Committee is required to report to the Board on internal controls and alert them to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee provides advice to the Board on the effectiveness of the internal control system, including the Group’s system for the management of risk. The Committee, which comprises members with a mix of skills and experience across financial and control matters, meets four times a year. Once a year (or more often if requested), the Audit Committee meets with the internal and external auditors without staff being present.

Internal audit programme. Internal audit is contracted out to an independent specialist provider. It is an important element of the internal control process as it provides an independent scrutiny of controls and offers the opportunity to compare the Group’s systems against best practice elsewhere. The internal audit plan for the year was compiled following discussions with directors and Audit Committee members and a review of the latest Risk Register. The internal auditors also advised on areas of risk which, in their experience, should be subject to audit within a three year plan. The draft audit plan was discussed and approved by the Audit Committee.

Detailed reports are scrutinised firstly by Directors and then by the Audit Committee. Directors also regularly monitor progress against previous internal audit recommendations. These are generally implemented in a timely manner; indeed many have already been implemented by the time audit reports are finalised. The Group’s internal auditors have confirmed that the Group has adequate and effective risk management, control and governance processes to manage the achievement of the organisation’s objectives.

REPORT OF THE BOARD (CONTINUED)

Internal Controls Assurance (continued)

External audit. External audit gives an opinion on the annual financial statements – that they present a “true and fair” view of the state of the Group’s affairs and that they have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. In order to form this opinion, the external auditors review internal controls relating to finance, and test those controls. The external auditors provide feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit, in the form of an annual management letter and have not identified any significant weaknesses in the accounting and internal control systems of the Group.

Regulatory reports. The Housing Corporation was replaced as the sector’s regulator by the Tenant Services Authority (TSA) in October 2008, but the regulatory processes and people have remained unchanged so far. They have performed assessments of various aspects of the Group’s activities as part of their annual regulatory plan. They have not identified any areas of particular concern and hence their regulation has been limited to the normal cyclical activity due for a developing association. The Housing Corporation Assessment (HCA) documents our compliance with the Regulatory Code and our development performance. Under its traffic light system we were awarded 4 green lights. This is an indication that the TSA have no material concerns about performance and confirms that we are either complying with the Regulatory Code or taking sufficient steps to do so.

Support Works activity is heavily regulated. The Care Quality Commission (CQC) carries out unannounced inspections on all registered care/nursing homes on an annual basis, although this drops to biennial for services receiving a “good” rating. Five of our homes received ratings during the year ranging from 1 star - poor (3 homes) to 2 stars - good (2 homes). One home is awaiting a date for a visit. All of the homes rated “poor” have been re-inspected and verbal feedback is positive. Supported Living services are covered by the Supporting People Quality Assessment Framework (QAF). During the year our QAF rating fell from B – good to C - poor. A re-inspection is due over the summer and we are confident that we will regain the B rating.

Third party reports. From time to time, the Group uses specialist external consultants to review parts of its work.

Fraud. The Group complies with the TSA’s requirements on fraud. An Anti- Fraud Policy is in place. The Board has a zero tolerance attitude to fraud and theft. The risk of fraud is managed through a combination of culture and controls. Key controls to both prevent and detect fraud are:

- Culture;
- Recruitment;
- Segregation of duties;
- Access rights;
- Conflict of interest reporting;
- Whistleblowing
- Management/performance information; and
- Reconciliations.

All cases of fraud are reported to the Board. All cases in excess of £5,000 are reported to the TSA along with any cases involving or implicating board members or senior management. No such cases occurred during the year.

A Fraud Response Plan is in place which sets out the action to be taken in the event of a suspected fraud being reported. This covers:

- How frauds can be reported;
- The investigation process;
- Liaison with the police and/or external audit;
- Initiating recovery action;
- Reporting the fraud; and
- Communication with the TSA.

REPORT OF THE BOARD (CONTINUED)

Internal Controls Assurance (continued)

Approval process

As part of the approval process, the annual report on internal controls has been discussed and agreed at each of the management team meetings within the Group. Each of the directors has confirmed that they are satisfied that adequate systems of internal control existed and operated throughout the year in their respective areas of operation.

No fundamental weaknesses within the system of internal controls have been identified during the year.

Further information on the key risks faced by the Group is included in the Operational and Financial review on pages 10 to 21.

Donations

During the year, the Group made charitable donations amounting to £6,554 (2008: £1,700).

Statement of Recommended Practice

The financial statements have been prepared in accordance with the Statement of Recommended Practice for housing association financial statements. Details of the policies adopted are set out in the accounting policies on pages 31 to 33.

The Operating and Financial Review has been compiled with the principles set out in the SORP 2008.

Equality and Diversity

Yorkshire Housing provides a service to a wide range of people including some of the most disadvantaged sections of the community. The Group's aim is to be responsive to the needs of all of these communities and the individuals that we serve. Excellent services and vibrant communities where everyone's quality of life is improved are dependent on Yorkshire Housing being an organisation where differences between individuals and communities are valued and everyone is treated with respect.

The Group has an overarching Equality & Diversity Strategy and has published Race, Disability and Gender Equality Schemes.

The Group's aims under the strategy include:

- Board members and staff at all levels of the organisation will have a clear understanding of the principles of equality and diversity, the Group's commitment and approach and their own role in delivering strategic objectives;
- The Board, Committees, staff teams and formal tenant participation structures will all be representative of the communities which the Group serves, particularly in terms of ethnicity, gender, sexuality, disability, faith and age;
- The Group's application and allocation procedures will be fair and transparent and work towards achieving balanced and sustainable communities that are a true reflection of the diversity of the communities which the Group serves;
- All customers receive the same high quality of services, with a minimum disparity in satisfaction levels between different groups of customers. The Group's buildings, staff and services are accessible to all customers and potential customers. All customers are able to choose the level and type of involvement that best suits their needs and preferences;
- Residents can enjoy their homes without fear of harassment or abuse, incidents, when they do occur, are dealt with efficiently and to the satisfaction of the victim.

All policies, strategies and new services are subject to an Equality Impact Assessment, covering all six equality groups (ethnicity, gender, sexuality, disability, faith and age). These assessments involve gathering evidence and considering any current or potential negative impacts. They also consider any opportunities to promote equality.

REPORT OF THE BOARD (CONTINUED)

Internal Controls Assurance (continued)

Health and Safety

The Group takes the health and safety of its employees seriously. The Board has approved a Health & Safety Policy which sets out how the Group will provide and maintain safe and healthy working conditions, equipment and systems of work for all employees. It recognises the Group's responsibilities and those of employees to co-operate by working safely at all times and adhering to the procedures set down.

After a number of years of using external consultancy, the Group has appointed its own Health & Safety Advisor and is in the process of renewing risk assessments and reviewing the monitoring and reporting of health and safety incidents. The focus for the next year will be on lone working, risk assessments, asbestos, legionella and driving.

Insurance

Appropriate property damage, employers' liability, public liability, business interruption, fidelity and vehicle insurance policies are in place and reviewed annually.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting.

By Order of the Board

Brian Cottam (Chair)

29 July 2009

Registered office:

Yorkshire House,
6 Innovation Close,
Heslington,
York.
YO10 5ZF.

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Overview of the business

Yorkshire Housing (YHL) is a large Registered Housing Provider based and operating in Yorkshire. It was accepted as charitable by HM Revenue & Customs with effect from 1st April 2008. YHL owns, manages and builds homes across Yorkshire and works in neighbourhoods to support sustainable communities. The Association also provides housing and support to vulnerable people including sheltered housing for older people, housing and day services for people with learning difficulties and temporary accommodation for homeless people.

Prior to 2008, the Yorkshire Housing Group comprised a number of separate housing associations, supported by central services, which worked together to benefit from efficiencies and to learn from each other. In addition, YHL had a charitable subsidiary, Yorkshire Housing Foundation, which provided help and support to vulnerable home owners. With effect from 1st April 2008, all of the charitable activity was amalgamated into a single, charitable association, called Yorkshire Housing. This was achieved under section 50 of the Industrial & Provident Act 1965 which meant that each of the amalgamating organisations continued to exist within Yorkshire Housing, although none are separately identifiable. Non-charitable activity is undertaken by a subsidiary company YH Residential Ltd, operating under the brand of Space Property, which rents and sells properties on the open market.

Now that the amalgamation has been achieved, we are starting to review our governance and management arrangements and our systems and processes to ensure that we can deliver consistently excellent services to all our customers in an efficient and effective way. We are continuing to provide all of the same services and have retained the local brands in their respective areas. However, we will increasingly focus on our Yorkshire Housing brand.

As at 31 March 2009, the Group owned or managed over 16,800 homes, split across the different types as shown below (*source: RSR*):

Type	2009	2008
General needs	11,340	10,560
Housing for older people	3,070	3,680
Supported housing	570	500
Shared ownership/leasehold (*)	930	950
Market rent	400	430
Temporary accommodation	380	470
Other	150	110
Total	16,840	16,700

(*) Includes homes where YHL has sold 100% of the leasehold but retains the freehold.

Just over 600 homes were re-designated from "housing for older people" to "general needs" because they no longer meet the specified specialist criteria. This means that around two thirds of homes are for general needs, with over a fifth specifically targeted at older people or those with special support needs.

The number of properties leased and managed by Safe Haven for temporary accommodation has continued to fall as we establish new contracts with local authorities and other agencies. The Board has agreed that this is no longer core business for YHL and we are seeking to transfer the activity to another provider.

We have developed or bought just over 200 new homes during the year, particularly in Leeds, Harrogate and Wakefield; Barnsley; and across rural North Yorkshire. We have sold a small number of homes as part of our overall asset management strategy.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Overview of the business (continued)

Although our new developments had been increasingly mixed tenure, the credit crunch has severely limited the appetite for market sale and shared ownership. As a result we have obtained additional grant from the Homes and Communities Agency to switch our planned home ownership products into either social or sub market rent. At the end of the year we had just four homes awaiting sale, and none in our development pipeline.

Properties are spread across North, South and West Yorkshire, covering inner city areas, smaller ex-industrial communities, market towns and rural villages. There are a very small number of homes in neighbouring counties. The spread by local authority, and the committee governance structure, is shown in the table below.

Local authority	Number of homes		Local authority	Number of homes
Craven	1,535		Calderdale	496
			Kirklees	1,037
Bradford (Brunel)	2,590		Other LA's (Lancashire)	75
			West Area	1,608
Ryedale (East Area)	2,642			
			Barnsley	790
York	1,083		Doncaster	284
East Riding	108		Rotherham	147
Selby	77		Sheffield	535
Other LA's (N Yorks)	43		South Area	1,756
Central Area	1,311			
Leeds (incl Swarcliffe)	2,624		Home ownership & non-social housing	1,522
Wakefield	719			
Harrogate	155		Safe Haven	375
North Area	3,498			

YHL's homes are a combination of new build and refurbished properties, which have been added to through purchase and development since Yorkshire Metropolitan was founded in 1976. The housing associations formed from the transfer of former council properties in Ryedale (in 1991) and Craven (in 2003) became part of the Group in 1999 and 2003 respectively.

As at 31 March 2009, 10.7% of our homes did not comply with the Decent Homes Standard (*source RSR*), compared with a national average of 10.9% (*Housing Corporation Global Accounts 2008*). This equates to 1,434 homes and represents an increase of 487 since last year. Although some properties will fail the Decent Homes Standard each year as components age, the main reason for the increase is a continued improvement in the underlying asset management data. In particular, we have identified properties which fail the Standard on grounds of thermal comfort and have committed £1m of the investment programme next year to improving insulation. The Association has plans to bring the remaining homes up to Standard by 2010.

We made over 2,000 lettings during the year and 105 evictions, of which two thirds were for rent arrears and one third for anti social behaviour. Our average weekly rent is £66.83.

Regulation and governance

The Group is regulated by the Tenant Services Authority (TSA), with whom it is registered. The Group has to comply with the TSA's Regulatory Code, and our performance is assessed by the TSA against the four main headings of viability, governance, management and development. The TSA uses a traffic light system to indicate compliance and the latest published assessment for the Group has a full set of green traffic lights. Each year the Board reviews a detailed statement of compliance with the Regulatory Code and relevant Circulars, which is then submitted to the TSA.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Regulation and governance (continued)

The Association was inspected by the Audit Commission in February 2007 and the resultant report was published on the Audit Commission website in June 2007. The Commission concluded that the services provided by the Association were fair, with promising prospects for improvement. The TSA has recently signed off the inspection action plan as complete.

The Group is governed by a Board comprising up to 12 non-executive members, with provision for co-optees to provide additional skills; three places are reserved for tenants. Senior management team members attend board meetings. Board members take their responsibility seriously and regularly appraise both their individual and collective performance. The shareholders have changed the Rules to allow for Board members to be paid, but the Board has decided that payment will not be introduced until there is evidence that it is needed to attract the right calibre of members. Further details of Group Board membership and Corporate Governance and Management arrangements are set out on pages 3 to 9.

The Group is managed by a senior management team, headed by a chief executive and supported by directors of resources, housing services, property services and new business & development. Further details of the senior management team are set out on page 4. As reported last year, Mervyn Jones was appointed Group Chief Executive in June 2008 and has been leading a review of our Corporate Plan. This has resulted in the following changes to the directorate team:

- The posts of Finance Director and Business Services Director have been combined to create a Resources Director. This creates more focus and direction within the corporate services team to support the business in delivering the Corporate Plan. Tansy Hepton, the previous Finance Director, was appointed to this post.
- The previous Housing Services Director, who had been responsible for both housing and property matters, left in October 2008. This created the opportunity to create a Property Services team, with its own director, to drive improvement in the service provided to customers and enhance value for money. David Bolton, the previous Craven Director, was appointed to this post.
- The vacant Housing Services Director post was filled by an internal promotion on an interim basis until the external recruitment process was complete. Celia Cashman was appointed in April 2009.
- Ged Walsh was appointed in May 2008, as New Business & Development Director, joining us from the Housing Corporation. He has put in place Development and Disposal Strategies to complement the new Corporate Plan and has strengthened controls over scheme appraisals and project management.

Group Objectives and Strategy

The Group's objectives and strategy are set out in a corporate plan, which is reviewed regularly and approved by the Board. The Corporate Plan has been reviewed and reissued during the year, following extensive consultation with customers, staff and other stakeholders.

We have an ambition to be one of the best providers of homes and support. Our five corporate objectives are:

- To deliver excellent customer service;
- To provide great homes;
- To support our tenants to make a positive difference to our services and their community;
- To be an employer of choice; and
- To be an efficient business.

We will achieve these objectives through a series of strategies and projects, shaping our services around what our customers tell us they want.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group objectives and strategy (continued)

Our new Corporate Plan sets our objectives for the next three years. This is therefore the last year for which we will report against the old targets set out below:

Objective	Where we aim to be by 2010	Where we are now
iN Business for Neighbourhoods		
<p>Deliver decent homes for our existing customers to a Yorkshire Housing defined standard</p> <p>Deliver an Asset Management Strategy. In particular this will encompass the sustainability and environmental impact of all that we do.</p> <p>Provide more homes in pursuit of our objectives, those of our partners and particularly those of our customers.</p>	<ul style="list-style-type: none"> ➤ 100% DHS compliant ➤ 90% YH standard compliant ➤ Fully costed asset management strategy in place by 2008 ➤ Average SAP rating increased by 10% from 2006/07 level ➤ Average 350 new homes each year, of which 250 will be for affordable rent 	<ul style="list-style-type: none"> ➤ As noted above, we are 89% compliant and remain confident of achieving full compliance by 2010 ➤ Our Property Services team is working with customers to review our lettable standard. ➤ The asset management strategy includes a full costing of achieving and maintaining DHS compliance ➤ Average SAP rating at Mar 09 was 60.3 compared to 57.7 at Mar 08. This will continue to improve as we deliver the investment plan, which has a focus on issues relating to thermal comfort. The comparability to 06/07 ratings is no longer relevant because of a change in the rating system (from SAP 2001 to SAP 2005). ➤ 207 new homes were developed in 08/09, of which 190 were for affordable rent (24 sub market rent)
iN Business to Support People		
<p>Improve our customer satisfaction measures and increase the involvement of customers. The customers with whom we interact will be increasingly representative of the communities that we serve</p> <p>Improve and extend support services to people within their home ranging from full time care within specialist accommodation, to back up resources and support to people within their own home regardless of tenure</p>	<ul style="list-style-type: none"> ➤ Customer satisfaction over 90% on 90% of measures ➤ Customer satisfaction with opportunities to participate increased by 10% from 2007 survey level ➤ Top quartile performance at Group level in 75% of Housing Corporation key performance indicators, and second quartile in 20% 	<ul style="list-style-type: none"> ➤ Our formal satisfaction measures are collected every 3 years (last done in 2007) and are therefore unchanged. We get regular feedback from our customers in many ways, including through surveys following investment (98% satisfaction) and repair work (83% satisfaction). The work of the Property Services team is focussed on achieving at least 90% satisfaction. ➤ National performance for 08/09 has not yet been published so the following analysis compares our 08/09 performance with the sector's performance for 07/08. Performance in arrears is in the top quartile. Performance on voids and re-let times has fallen to 2nd quartile due to a combination of a few difficult to let schemes and delays in repair work from our contractor. The latter is a key focus for the new Property Services team.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group objectives and strategy (continued)

Objective	Where we aim to be by 2010	Where we are now
iN Business to Support People (continued)	<ul style="list-style-type: none"> ➤ Increase number of customers where support is provided by 10% 	<ul style="list-style-type: none"> ➤ Activity in our home improvement agency work increased by 25%, with over 8,500 people helped to stay in their own homes. ➤ Following some mixed inspections results in our supported living schemes and care homes, we are concentrating on improving services rather than growth.
iN Business for Diversity		
<p>Deliver, improve and monitor our equality and diversity strategy.</p> <p>Recognising recent initiatives within YHG, particular attention will be paid to the development of housing and services for young people, refugees, asylum seekers and homeless people.</p>	<ul style="list-style-type: none"> ➤ Customer satisfaction within BME groups at the same level as other customers ➤ Meeting Equality & Diversity targets, specifically lettings to vulnerable groups (BME people, people with disabilities, homeless people) are above levels of representation of these groups in the communities we serve 	<ul style="list-style-type: none"> ➤ In common with national averages, our customer survey showed that our BME customers and our younger customers tend to be less satisfied with our services. We have started looking at our performance indicators by various diversity categories to see what factors are influencing these trends. ➤ Of our lettings in 08/09, 11% were to statutorily homeless people and a further 14% to other homeless. 19% of lettings were to people from BME communities, compared to an 11% BME population across Yorkshire.
iN Business		
<p>Deliver a "Value for Money and Efficiency Strategy" over the life of this Corporate Plan, achieving key financial targets</p>	<ul style="list-style-type: none"> ➤ Deliver a minimum 2.5% efficiency gain each year ➤ Deliver our Golden Rule, that staff and overhead costs are less than 23% of turnover ➤ Top quartile on management costs within benchmarking group 	<ul style="list-style-type: none"> ➤ We have reviewed our Golden Rule and determined that it is no longer an appropriate measure due to the changing business mix of the Association. ➤ We achieved a top quartile position within the benchmark group on overheads.
<p>Rationalise the Group to fewer organisations, with greater consistency, in order to shift resources from internal needs to customer facing service provision</p>	<ul style="list-style-type: none"> ➤ The ten organisations in the Group reduced to no more than five 	<ul style="list-style-type: none"> ➤ Amalgamation has resulted in reduction to 4 separate organisations. The changes to the directorate structure have supported the move towards greater consistency. A review of governance arrangements has been commissioned by the Board.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Performance in the year**

Group turnover has remained at a similar level to last year. Turnover from lettings has increased by 4.6% due to a combination of inflation and growth but, as noted above, there has been a significant reduction in the number of homes developed or bought for sale.

Group turnover and operating surplus by activity are shown below.

Activity	Turnover		Operating surplus/(deficit)	
	2009 £m	2008 £m	2009 £m	2008 £m
General needs	35.4	33.6	6.9	7.9
Housing for older people	13.3	12.8	1.5	2.1
Supported housing and Care	5.5	5.3	(0.7)	(0.6)
Shared ownership	0.9	0.9	0.6	0.5
Market rent	1.9	1.9	0.5	0.5
Total from lettings	57.0	54.5	8.7	10.4
Sale of houses acquired for disposal	4.3	(*) 9.5	(0.2)	(*) 0.4
Other	12.6	10.0	1.2	(**) (0.6)
Total	73.9	74.0	9.7	(**) 10.2

(*) Restated in accordance with the SORP 2008 to include first tranche shared ownership sales which were previously included in "Surplus on property sales". In 07/08, the figure was £5.8m and the surplus was £0.4m.

(**) Restated as a result of changes in accounting policy for interest and development staff costs, this is in accordance with the SORP 2008. In 07/08, the figure was £(1.1)m and the operating surplus was £9.6m.

The majority of the operating surplus comes from general needs activity. The increase in Other turnover mainly reflects additional activity on the PFI contract and additional short term contracts at Safe Haven. The Other activity includes:

- the home improvement agency work under the YH Foundation brand, which made a modest surplus of £36k (2008 deficit of £153k);
- the facilities management service (repairs, environmental work etc) provided to homes on the Swarcliffe estate in Leeds under a PFI contract
- nursing homes, day services and agency management services provided by Support Works;
- the activity of Safe Haven Yorkshire, providing temporary accommodation to homeless families and other vulnerable groups including refugees and asylum seekers;
- income from schemes managed by other associations and agencies; and
- management costs allocated to the above businesses.

The Group's deficit for the year before taxation was £953k (2008 restated: deficit £61k). Group operating surplus was £9.3m (2008 restated: £10.1m) which represents 12.6% of Group turnover (2008 restated: 13.6%).

The main reason for the deficit was the final year of the three year planned investment in Brunel's stock, which was promised to tenants when Brunel joined the Group. Total expenditure on repairs and reinvestment during the year was £23.7m, (2008: £21.8m) demonstrating the Group's commitment to maintaining the quality of its homes. In addition, a further £1.7m (2008: £2.5m) was spent on capital reinvestment and has been added to the asset value.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Performance in the year (continued)

The Group has a 99% share of the Safe Haven partnership (South Yorkshire HA has the remaining 1%). Safe Haven has a number of contracts with local authorities across Yorkshire to provide temporary housing and related services to some of the most vulnerable people in the country including homeless families, unaccompanied minors, people leaving prison and refugees and asylum seekers. This business incurred a loss of £230k (2008: loss of £969k) on a turnover of £4.1m (2008: £3.3m). The previous year's results included costs associated with the setting up of new contracts and dealing with disputed costs relating to the previous NASS contract. Following a full review of the business, the Board has decided that Yorkshire Housing does not have the resources to devote to this specialist activity and we are therefore in discussions with another provider to transfer the activity.

The consolidated results also include the Group's one third share of Yorkshire Transformations Ltd's (YTL) income and expenditure account and balance sheet, under the principle of accounting for associates. The PFI contract between YTL and Leeds City Council is for facilities management and improvement of around 1,500 homes on the Swarcliffe Estate. Because the improvement programme is still in its capital phase, the majority of the income of YTL relates to facilities management charges made by YHL to YTL and recharged to Leeds City Council. These amounts have been excluded on consolidation.

A selection of key performance indicators for the Group are shown below (*sources: RSR, TSA PI's, previous annual accounts*):

Indicator	2009	National average 2008	2008	2007	2006	2005
Current rent arrears (%)	3.0%	5.0%	3.2%	3.5	3.9	3.8
Empty homes (available and not available combined) (%)	2.4%	2.4%	1.6	1.4	2.2	1.2
Repairs completed within target (average across categories) (%)	91	N/a	94.5	95	83.6	94.5
(Deficit)/Surplus before tax (£k)	(953)	N/a	(*) (61)	(70)	529	551
Operating surplus as percentage of turnover (%)	12.6	15.6	13.6	14.8	15.3	16.5
Gross interest cover (operating surplus plus depreciation/interest payable)	1.08	1.05	(*) 1.16	1.13	1.15	1.13
New homes completed	207	N/a	342	506	251	211
Number of homes sold	65	N/a	55	86	164	35

(*) *Restated*

Performance on arrears remains good. Empty homes performance has fallen, although is still reasonable compared to national averages. There are a number of reasons for the fall including a few increasingly hard to let schemes (mainly bedsit sheltered accommodation), a number of schemes being held empty ready for investment or development and some performance issues with our contractors.

Repairs performance has dipped partly because of below average performance at Safe Haven, where the lease generally requires the landlord to be given the first opportunity to make the repair. However, it also reflects poorer performance across our core business which we are addressing through our Property Services Strategy.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Key risks

Key risks are those which might prevent corporate objectives being achieved. The Group's approach to managing risk is set out in the Internal Controls Assurance statement above.

As part of the planning process, the main risks faced by the Group are discussed by the Board and the senior management team. These are categorised into external and internal risks and are analysed according to their impact and likelihood. In general, external risks are those affecting the sector as a whole and internal risks are those over which the Group has more control. Management attention is focussed on higher impact and higher likelihood risks.

The Board has identified the following risks as those most likely to influence future strategy and performance.

Category	Risk	Risk management action
External – economic	<i>Borrowing</i> Unable to borrow from banks due to lack of liquidity in the financial markets or loss of confidence in Yorkshire Housing	<ul style="list-style-type: none"> • We have participated in a bond issue and are negotiating additional funding with our existing lenders • We monitor our cashflow on both a short and medium term basis and discuss any necessary action
External - economic	<i>Pension costs</i> The rising cost of final salary schemes could put significant pressure on the Group's financial position. The recent valuation of the Social Housing Pension Scheme (SHPS) indicates a 3.1% increase in contributions on a like-for-like basis	<ul style="list-style-type: none"> • We are consulting with staff about the various new defined benefit schemes offered by SHPS, recognising the need to balance cost with recruitment and retention benefits. • We will continue to keep pension costs under review
External – economic	<i>Housing market</i> Property market slows/falls making sales (on new developments, Right to Buy and shared ownership staircasing) dry up	<ul style="list-style-type: none"> • We have switched all of our pipeline developments for sale into rental units • We have included prudent assumptions about future surpluses on sales and have developed a Disposals Strategy to cover properties outside our core business or which are uneconomic to manage
External – political	<i>Regulation</i> Changes in legal or regulatory requirements could have a significant impact on our ability to deliver services to customers. The Tenant Services Authority (TSA) is consulting on new standards. These are based on customer feedback so should chime with our own ambition for excellence; however, the cost of compliance could increase.	<ul style="list-style-type: none"> • We maintain links with our regulator, trade body and senior politicians • Our new corporate plan is based on customer feedback and includes improving customer involvement and our neighbourhood focus, both of which are features of the TSA's recent communications

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Key risks (continued)

Category	Risk	Risk management action
External – political	<i>National</i> Reduction in national funding (social housing grant, supporting people grant, housing benefit etc) could have a significant impact on our ability to deliver services to our customers. This risk will increase in the medium term with significant pressure on all public sector spending	<ul style="list-style-type: none"> • Our corporate priorities are on excellence rather than growth. They include targets for efficiency savings • We keep looking for alternative ways of providing and funding services and alternative uses for specialist accommodation
External – economic	<i>Inflation</i> Sustained very low inflation or deflation would limit our rent increases. Although interest rates and cost inflation should also be low, there is a risk of an increase in real interest rates and it may be difficult to sustain very low salary increases	<ul style="list-style-type: none"> • We have modelled the impact of deflation in our business plan and are being cautious about the scale of future development
External - event	<i>Significant event</i> A significant external event could result in loss of power, IT systems, telecommunication systems, access to buildings or significant staff absences, putting delivery of services at risk	<ul style="list-style-type: none"> • We have procedures in place to recover IT systems in the event of failure, which have been tested. • We have developed a business continuity plan • We have insurance against a number of external risks, including weather damage and terrorism
Internal – operational /health and safety	<i>Operational failure</i> Failure to comply with operational procedures could put vulnerable customers at risk. Major areas of risk include gas safety checks and Support Works activity	<ul style="list-style-type: none"> • We have detailed policies and procedures available to all staff, together with a comprehensive induction and training programme • We have rigorous recruitment procedures including CRB checks on appropriate staff • We undertake regular risk assessments of offices, specialist schemes and roles • We have external inspections of our care homes and Gas Safe Register audits of our gas safety work • We have a zero tolerance to out of date gas certificates
Internal – operational /health and safety	<i>Culture</i> Lack of health and safety culture and systems could put staff at risk. Major areas of risk include “blue collar” operatives and lone workers	<ul style="list-style-type: none"> • We have a Health & Safety Policy which is covered at induction training. • Our Health & Safety Advisor runs regular training on risk assessments • We report regularly on incidents and hazards

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Key risks (continued)

Category	Risk	Risk management action
Internal – change management	<p><i>Change management</i> At a time of significant change with our new Corporate Plan, poor communication and/or poor project management could result in failure of key projects to deliver improvements, lack of focus on day to day operational business and/or increased stress for staff</p>	<ul style="list-style-type: none"> • Our new Corporate Plan clearly sets out priorities. These have been explained to all staff through team briefings and regular all staff communication tools have been developed. • We have implemented a project management methodology and trained all project leaders. We are putting together cross-functional project teams and engaging additional resources, where necessary, to ensure day to day operational business does not suffer. • We have established a Joint Consultation Group with staff to discuss policy, performance and any collective staff concerns
Internal - information	<p><i>Management information</i> Lack of timely and relevant management information to identify customer needs and manage performance could limit our ability to meet our corporate objectives.</p> <p>This includes information on the condition of our homes and on our costs.</p>	<ul style="list-style-type: none"> • Our performance management framework provides consistent information to managers, directors and boards. Much of the information is now automated, meaning that more time can be spent analysing the information and producing more detailed answers. • Our asset management information is continually updated and is used to create budgets and investment plans. • We have received benchmark information on our core housing costs and have joined a number of benchmarking clubs to improve our understanding and identify areas for efficiency savings
Internal - staff	<p><i>Recruitment and retention</i> If we cannot recruit and retain skilled and motivated staff we will not be able to deliver high quality services to our customers</p>	<ul style="list-style-type: none"> • We have engaged directly with staff to develop the Corporate Plan, building their excitement and confidence in the future • We aim to pay the market rate and review salaries every year • We devote a significant amount of time and money to developing our staff, both at induction and thereafter
Internal - IT	<p><i>Strategy</i> A proliferation of separate IT databases/systems could be inefficient and result in conflicting data being used in decision making</p>	<ul style="list-style-type: none"> • All new IT systems development or purchases go through a central IT team • IT are represented on all major project teams

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Investment for the future

The Board is committed to maintaining the quality of the homes it owns and manages. The Group has a continuing programme of investment work which is developed in the first instance following a review of our asset management database. This takes account of the requirements of the Decent Homes Standard as well as looking at the ongoing repair and management costs of each scheme. Feedback from customers and Area-based staff is also taken into account and each Operational Committee has its own budget to spend on local priorities. Significant sums are spent both on day to day repairs and on planned and cyclical investment programmes that cover kitchens, bathrooms, windows, central heating systems, wiring, external painting and roofs. From 2009/10 onwards, we are including specific funding for improving the environmental performance of our homes, focussing on insulation (both loft and wall) and replacement boilers.

YHL is a lead partner in developing new homes with Homes & Communities Agency funding through the In Business for Yorkshire partnership. YHL has received allocations of grant under the National Affordable Housing Programme totalling £18.2m to develop 535 homes

FINANCIAL REVIEW

Accounting policies

The principal accounting policies for the Group are set out on pages 31 to 33 of the financial statements. The accounting policies which have the greatest impact on the results of the Group are:

- The accounting for capital grants, which are deducted in the balance sheet from the costs of the assets; and
- The calculation of depreciation on housing properties, which aims to write off the original cost of the assets over 75 years on a straight line basis.

These two policies have remained unchanged in the period under review.

The Group adopts a prudent approach to capitalising spend on improving properties. Expenditure is only capitalised on schemes where major remodelling is taking place.

This year we have implemented the requirements of the SORP 2008 resulting in a change in the treatment of first tranche shared ownership sales which are now included in "Other Operating Turnover" rather than in "Surplus on Property Sales".

We have also changed our accounting policies for development costs, both interest and the staff and overhead costs of the development team. This change is in accordance with the SORP 2008.

In summary, we have added £2m to the opening value of housing properties as shown below.

	£k
Increase in value of housing properties	
Capitalised development costs	2,997
Capitalised interest	2,688
	<hr/> 5,685
Less:	
First tranche shared ownership reclassified as stock	(3,452)
	<hr/> 2,233
Less: depreciation	(242)
	<hr/> 1,991
Net increase in housing properties at 1 April 2008	<hr/> 1,991

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Accounting Policies (continued)

Details of the impact of these changes are included in note 30 of the financial statements. Appropriate prior year adjustments have been made.

Capital structure and treasury policy

The Group funds its operations through a combination of retained earnings, grants, long term loans and short term facilities. Cashflow is monitored in both the short and the long term so that sufficient liquidity is maintained to ensure obligations can be met as they fall due. Excess cash is invested in a call account.

The loan portfolio is regularly reviewed by the Group Treasurer and the Finance Committee, who monitor covenant compliance and the cost of funds. At the end of the year, total borrowings were £258m and unused facilities were an additional £5m. £7m of the borrowings are in a bond; the remainder is borrowed from banks and building societies in the UK. All of the borrowings are in sterling.

The Group is obliged by its funders to meet a series of loan covenants relating to asset values (asset cover), surpluses (interest cover) and total amount of debt (gearing). All loan covenants were met at the year end and the Group Business Plan indicates that this will remain the case.

Treasury strategy is set by the Finance Committee. As a result of the increased uncertainty around UK interest rates, the Treasury strategy was amended in 2008 to maintain 70% (previously 60%) of borrowings at fixed rates of interest. Although interest rates are at an historic low, the Finance Committee believes this remains a prudent approach, given the long term nature of the Group's assets. At 31 March 2009, 69% of borrowings were at fixed rates (2008: 71%). The Group does not make use of hedging instruments other than to fix variable debt at the time of drawdown. A rule change would be required to enable hedging instruments to be used at other times.

The repayment profile of the debt at the year end is shown in note 19.

Cashflow

Cash inflows and outflows are set out in the cash flow statement on page 30. The key cash flows were net expenditure of £25m on the acquisition and construction of housing properties and a net increase in housing loans of £44m. We took advantage of funding opportunities when they arose during the year because of the uncertainty regarding future bank lending. As a result, we borrowed more than we needed in the current year and increased our amount on deposit by £24m.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

We have audited the Group and parent company financial statements (the financial statements) of Yorkshire Housing Group for the year ended 31 March 2009 which comprise the Group and Association Income and Expenditure Accounts, the Group and Association Balance Sheets, the Group Cash Flow Statement, the Group and Association Statement of Total Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the board and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Association as a body in accordance with Section 9 (1) of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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 directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only (the Report of the Board and the Operating and Financial Review) and the statement of internal control. We review whether the statement of internal control has been prepared in accordance with Housing Corporation Circular '07/07 Internal controls assurance'. We are not required to consider whether the Board's statement on internal control fairly presents the Association's system of internal control, or to form an opinion on the effectiveness of the Association's system of internal control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED
(CONTINUED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2009 and of the Group's and Association's deficit and Group's cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds*

YORKSHIRE HOUSING LIMITED**CONSOLIDATED INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	NOTES	2009		2008	
		£'000	£'000	£'000	£'000
Turnover	2		73,883		74,026
Operating costs	2		(64,548)		(63,928)
Operating surplus	2		9,335		10,098
Share of operating surplus of joint venture	3		494		71
Surplus on property sales	4		681		1,227
Interest receivable and similar income	5				
Group		1,282		610	
Share of joint venture	3	55		42	
Other finance income	28	-		119	
			1,337		771
Interest payable and similar charges	6				
Group		(12,352)		(12,228)	
Share of joint venture	3	(360)		-	
			(12,712)		(12,228)
Other finance costs	28		(88)		-
(Deficit) on ordinary activities before taxation	7		(953)		(61)
Taxation	8				
Group		-		-	-
Share of joint venture	3	(53)	(53)	(34)	(34)
(Deficit) for the year after taxation			(1,006)		(95)
Transfer from Pension Reserve			212		109
Transfer (to) Restricted and Designated Reserves	9/10		(616)		(619)
Transfer from Revaluation Reserve	11		-		7
Transfer (from) accumulated surplus			(1,410)		(598)
Accumulated surplus					
Prior year adjustment	30		-		4,438
Accumulated surplus brought forward			21,776		17,936
Accumulated surplus carried forward	12		20,366		21,776

YORKSHIRE HOUSING LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES / (DEFICITS) FOR THE YEAR ENDED
31 MARCH 2009**

	<u>NOTES</u>	<u>2009</u> £'000	<u>As</u> <u>Restated</u> <u>2008</u> £'000
(Deficit)/Surplus for the year after taxation			
- group		(1,142)	(174)
- joint venture		136	79
Unrealised surplus on revaluation of housing properties	12	-	-
Actuarial (Loss) for the financial year	28	(1,998)	(1,757)
		<hr/>	<hr/>
Total recognised (deficit) for the year		(3,004)	(1,852)
Prior Year Adjustment	30	-	4,438
		<hr/>	<hr/>
Total (deficit)/surplus recognised since the last reporting period		(3,004)	2,586
		<hr/>	<hr/>

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

YORKSHIRE HOUSING LIMITED**ASSOCIATION INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	<u>NOTES</u>	<u>2009</u> <u>£'000</u>	<u>Proforma</u> <u>2008</u> <u>£'000</u>
Turnover	2	71,498	71,636
Operating costs	2	(63,144)	(62,323)
Operating surplus	2	<u>8,354</u>	<u>9,313</u>
Surplus on property sales	4	505	853
Interest receivable and similar income	5	1,291	858
Interest payable and similar charges	6	(11,462)	(11,289)
Other finance costs	28	(88)	-
(Deficit) on ordinary activities before taxation	7	<u>(1,400)</u>	<u>(265)</u>
Taxation	8	-	-
(Deficit) for the year after taxation		<u>(1,400)</u>	<u>(265)</u>
Transfer from Pension Reserve		212	109
Transfer (to) Restricted and Designated Reserves	9/10	(616)	(634)
Transfer from Revaluation Reserve	11	-	7
Transfer (from) accumulated surplus		<u>(1,804)</u>	<u>(783)</u>
Accumulated surplus			
Prior year adjustment	30	-	4,438
Accumulated surplus brought forward		25,772	22,117
Accumulated surplus carried forward	12	<u>23,968</u>	<u>25,772</u>

**ASSOCIATION STATEMENT OF TOTAL RECOGNISED SURPLUSES / (DEFICITS) FOR THE YEAR ENDED
31 MARCH 2009**

	<u>NOTES</u>	<u>2009</u> £'000	<u>Proforma</u> <u>As</u> <u>Restated</u> <u>2008</u> £'000
(Deficit) for the year after taxation		(1,400)	(265)
Unrealised surplus on revaluation of housing properties	12	-	-
Actuarial (Loss) for the financial year	28	(1,998)	(1,757)
		<hr/>	<hr/>
Total recognised (deficit) for the year		(3,398)	(2,022)
		<hr/>	<hr/>
Prior Year Adjustment	30	-	4,438
		<hr/>	<hr/>
Total(deficit)/surplus recognised since the last reporting period		(3,398)	2,416
		<hr/>	<hr/>

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

YORKSHIRE HOUSING LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	NOTES	2009		2008	
		£'000	£'000	£'000	£'000
Fixed Assets: Tangible Assets					
Cost	13/14	589,901		549,897	
Social Housing Grant	13/14	(248,341)		(238,011)	
Depreciation	13/14	(26,493)		(22,399)	
			315,067		289,487
Fixed Assets: Investments					
Investment in joint venture:	3/17				
Share of gross assets		12,476		8,320	
Share of gross liabilities		(12,110)		(8,090)	
		366		230	
Other investments		1,343		1,357	
			1,709		1,587
Total Fixed Assets			316,776		291,074
Current Assets					
Stock and work in progress	15	313		6,109	
Debtors	16	6,298		10,243	
Investments	17	31,317		6,968	
Cash at bank and in hand		1,232		1,298	
		39,160		24,618	
Current Liabilities					
Creditors: amounts falling due within one year	18	(15,879)		(18,000)	
			23,281		6,618
Total assets less current liabilities			340,057		297,692
Less: Creditors: amounts falling due after more than one year	19	(258,484)		(214,965)	
Net Pension Liability	28	(5,051)		(2,841)	
			76,522		79,886
Capital and Reserves					
Called up Share Capital	20	-		-	
Revaluation Reserve	11	29,035		29,035	
Restricted Reserve	10	10		10	
Income & Expenditure Account	12	20,366		21,776	
Pension Reserve	12	(5,051)		(2,841)	
Designated Reserves	9	6,486		5,870	
Negative goodwill	31	25,676		26,036	
			76,522		79,886

The financial statements were approved by the Board on 29 July 2009 and were signed on its behalf by:-

Brian Cottam - Chair
 Martin Simpson - Vice Chair
 Grace Dalley - Secretary

YORKSHIRE HOUSING LIMITED**ASSOCIATION BALANCE SHEET AS AT 31 MARCH 2009**

		2009		Proforma 2008	
	NOTES	£'000	£'000	£'000	£'000
Fixed Assets: Tangible Assets					
Cost	13/14	571,503		531,408	
Social Housing Grant	13/14	(248,341)		(238,011)	
Depreciation	13/14	(25,116)		(21,241)	
			298,046		272,156
Other investments	17		6,424		6,475
Total Fixed Assets			304,470		278,631
Current Assets					
Stock and work in progress	15	1,258		6,949	
Debtors	16	6,275		10,278	
Investments	17	31,317		6,968	
Cash at bank and in hand		1,207		1,298	
			40,057		25,493
Current Liabilities					
Creditors: amounts falling due within one year	18	(15,717)		(17,508)	
			24,340		7,985
Total assets less current liabilities			328,810		286,616
Less: Creditors: amounts falling due after more than one year					
Pension Liability	19		(243,635)		(199,893)
	28		(5,051)		(2,841)
			80,124		83,882
Capital and Reserves					
Called up Share Capital	20		-		-
Revaluation Reserve	11		29,035		29,035
Restricted Reserve	10		10		10
Income & Expenditure Account	12		23,968		25,772
Pension Reserve	12		(5,051)		(2,841)
Designated Reserves	9		6,486		5,870
Negative goodwill	31		25,676		26,036
			80,124		83,882

The financial statements were approved by the Board on 29 July 2009 and were signed on its behalf by: -

B Cottam - Chair
M J Simpson - Vice Chair
G Dalley - Secretary

YORKSHIRE HOUSING LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	<u>NOTES</u>	<u>2009</u> £'000	<u>2008</u> £'000
Net cash inflow from operating activities		17,752	10,950
Returns on investments and servicing of finance	21	(12,084)	(11,947)
Taxation			
Capital expenditure and financial investment	21	(26,020)	(6,216)
Net Cash (outflow) before use of liquid resources and financing		(20,352)	(7,213)
Management of liquid resources	21	(24,349)	(5,313)
Financing	21	44,470	13,608
(Decrease)/Increase in cash in year		(231)	1,082
<u>Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities</u>			
Operating surplus		9,335	10,098
Difference between pension charge and cash contributions		124	228
Depreciation charge		4,157	4,032
Impairment of housing assets and stock		324	-
Loss on disposal of non housing fixed assets		19	25
Amortisation of negative goodwill		(360)	(360)
(Increase)/Decrease in debtors		(97)	856
Decrease in stock and work in progress		5,742	41
(Decrease) in creditors		(1,492)	(4,693)
Increase in sales proceeds/capital grant reserves		-	723
Net cash inflow from operating activities		17,752	10,950
<u>Reconciliation of Net Cash Flow to Movement in Net Debt</u>			
(Decrease)/Increase in cash in year	22	(231)	1,082
Cash used to increase liquid resources	22	24,349	5,313
Net movement in Housing Loans	22	(44,470)	(13,608)
Net debt at 1 April 2008	22	(205,445)	(198,232)
Net debt at 31 March 2009		(225,797)	(205,445)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. These financial statements are prepared under the historical cost convention, as modified by the revaluation of property. They comply with the Accounting Requirements for Registered Social Landlords' General Determination 2006 and with Statements of Recommended Practice.

Basis of Consolidation

Yorkshire Housing Limited group financial statements include the results of its subsidiary companies YH Residential Limited and Yorkshire Community Property Services Limited, consolidated in accordance with FRS 2 and those of the joint venture, Yorkshire Transformations Holdings Limited; in accordance with FRS 9.

Details of the subsidiary undertakings are included in Note 25 to the financial statements. Intra-group turnover, surplus and balances are eliminated fully on consolidation.

On 1 April 2008 Yorkshire Housing Limited amalgamated with its former subsidiaries Yorkshire Housing Foundation Limited, Brunel & Family Housing Association Limited, Craven Housing Association Limited, Ryedale (2000) Housing Association Limited and Yorkshire Metropolitan (2000) Housing Association Limited.

The figures for the comparative year are presented on a proforma basis to provide an annual record of the Association's activities. The proforma financial statements have been prepared on the same bases as those adopted for the current year.

Turnover

Turnover represents rental and service charge income receivable, Supporting People income, and income for other support services and other non lettings income.

Supporting People Income

Supporting People income receivable from administering authorities is included in turnover; costs incurred in providing these services are included in operating costs.

Fixed Assets

Housing Properties

Housing Properties are stated at cost or valuation less capital grants and accumulated depreciation. As permitted by FRS 15 the Association has adopted the transitional rule of freezing existing book values of housing properties as at 31 March 1999.

In accordance with FRS 15, depreciation is charged over 75 years on a straight line basis on the property value after excluding the land value.

Housing properties in the course of construction are stated at cost less social housing and other capital grants and are transferred into completed housing properties when available for letting.

Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account.

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets.

The rates and bases used are:

Leased Office Premises	Over the term of the lease	
Freehold Offices and Shops	1.67% pa	straight line
Fixtures & Fittings	20.00% pa	reducing balance
Computer Equipment	20.00% pa	straight line
Motor Vehicles	20.00% pa	reducing balance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Social Housing and other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social housing grant can be recycled by registered social landlords under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the social housing grant can be used for projects approved by the Housing Corporation. However, the social housing grant may have to be repaid if certain conditions are not met. Until the grant has been recycled, it is treated as a liability and shown under creditors: amounts falling due after more than one year.

Capitalisation of major repair costs

The Group only capitalises expenditure on housing which results in an increase in the net rental income, a reduction in future maintenance costs or a significant extension of the life of a property. All other expenditure incurred in respect of general repairs to its housing stock is charged to the Income and Expenditure account in the year in which it is incurred.

Capitalisation of Interest

In previous years interest has not been capitalised. This policy was changed during the year whereafter interest is capitalised on all costs in the development phase including properties held in stock and work in progress but excluding capitalised major repairs. Interest is charged at a rate based on the average monthly rate payable on housing loans. This has given rise to a prior year adjustment in these financial statements details of which are included in note 30 and a reduction in the current year's charge to the Income & Expenditure Account of £668,000. The revised accounting policy is in line with the requirements of the Statement of Recommended Practice 2008.

Capitalisation of Development Costs

In previous years development costs have not been capitalised. This policy was changed during the year whereafter costs directly attributable to bringing the asset to its working condition up to the date of completion are capitalised. Development labour and travel costs are allocated on the basis of property additions in the year including properties held in stock and work in progress but excluding capitalised major repairs. This has given rise to a prior year adjustment in these financial statements details of which are included in note 30 and a reduction in the current year's charge to the Income & Expenditure Account of £638,000. Development costs not capitalised are shown as other expenditure in note 2. The revised accounting policy is in line with the requirements of the Statement of Recommended Practice 2008.

Sales of housing properties

Fixed asset property sales are included in the Income and Expenditure account as Surplus on Property Sales. Sales of properties held for sale are included within the operating surplus/deficit.

Shared Ownership Sales

The surplus/deficit on first tranche disposals is included within the operating surplus/deficit in the year in which the disposal occurs. The first tranche proportion of completed shared ownership homes which are still unsold at the year end are included in current assets with the remaining costs of these homes being included in fixed assets. The surplus/deficit on further tranche disposals is included in the Income and Expenditure account as Surplus on Property Sales.

Donations of Land

Land donated which is unconnected with a development is included within turnover if it is from a private source and as a government grant if it is from a public source. Land which is donated at below market value as part of a development will be included at its current value with regard to any restrictions placed upon it.

Losses on Mixed Use Developments

Any surpluses arising on one element of a mixed use development are reduced by any deficits arising on other elements of the same mixed use development.

Stock and Work in Progress

Stock and work in progress are stated at the lower of cost and net realisable value and represent housing properties either completed or in the course of construction which are intended for sale together with the first tranche proportion of completed shared ownership homes which were still unsold at the year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Pension Costs

The cost of providing retirement pensions and related benefits is charged to the management expenses over the period benefiting from the employee's service. Yorkshire Housing Limited contributes to two defined benefits pension schemes.

Under FRS17, the difference between the fair value of the assets held in the defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method, are recognised in the balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax liability. Changes in the defined pension schemes' asset or liability arising from factors other than cash contributions by the Association are charged to the Income and Expenditure account.

Leasing and Hire Purchase Commitments

The rentals paid under operating leases are charged to the Income and Expenditure account as incurred.

Designated Reserves

A reserve is specifically designated to reflect the Group's duty to replace certain equipment in service schemes. The annual transfer is based on a notional depreciation calculation.

A further designated reserve has been created as a risk reserve for the Swarcliffe PFI project. This reflects the fact that income, including an allowance for inflation, is defined within the contract. An annual transfer is made based on the original business plan. The reserve can be released if future costs suffer from inflation significantly above the original business plan level.

YHL also hold designated reserves for charitable purposes and a bequest account from which funds are used at the discretion of the Board.

Restricted Reserve

YHL maintains a reserve for specific amounts donated to a hardship fund.

All major repair costs are accounted for through the Income and Expenditure account when incurred.

Negative Goodwill

On 1st April 1999, the Brunel & Family Housing Association Limited acquired the net assets of Support Works Limited for no consideration.

On 13th December 2005, Yorkshire Housing Limited acquired the net assets of Brunel & Family Housing Association Limited for no consideration.

Negative goodwill arising on acquisition represents the excess of the fair value of the net assets acquired over the fair value of the consideration given. This is in accordance with the SORP and with FRS 10 with the exception that FRS 10 requires that negative goodwill is shown as a negative asset on the balance sheet. The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Group's net assets because the substance of the transaction is a gifting of a business for no consideration rather than a purchase in the conventional manner. Therefore, negative goodwill has been shown in reserves, which is in accordance with the SORP, but not FRS 10.

Negative goodwill is amortised over the life of the fixed assets acquired, in accordance with the SORP.

Agency Managed Supporting Housing Schemes

In addition to its own directly managed supported housing schemes, YHG owns a number of schemes that are run by outside agencies. Where YHG carries the financial risk, all of the scheme's income and expenditure is included in the Income and Expenditure account. Where the agency carries the financial risk, only the income and expenditure which relates solely to YHG is included. Other income and expenditure of schemes in this category is excluded from the Income and Expenditure account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND SURPLUS

Consolidated Operating Activities

Income and Expenditure from Lettings

	2009			2008	
	Turnover	Operating	Operating	Turnover	Operating
	£'000	Costs	Surplus	£'000	Surplus
		£'000	£'000		£'000
Social housing	55,111	(46,932)	8,179	52,656	9,763
Non social housing	1,949	(1,480)	469	1,899	542
Total	57,060	(48,412)	8,648	54,555	10,305

YORKSHIRE HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND SURPLUS (CONTINUED)

Consolidated Operating Activities (Continued)

Income and Expenditure from Lettings (Continued)

	2009							2008
	General Needs £'000	Housing for Older People £'000	Non Social Housing £'000	Shared Ownership £'000	Care & Group Homes £'000	Supported Housing £'000	Total £'000	Total £'000
Turnover from lettings								
Rent receivable	32,574	11,061	1,838	479	723	978	47,653	46,060
Supported People Income	430	852	-	-	-	2,205	3,487	3,603
Charges for other support services	-	-	-	-	355	773	1,128	879
Service charges receivable	2,395	1,352	111	459	9	466	4,792	4,013
Turnover from lettings	35,399	13,265	1,949	938	1,087	4,422	57,060	54,555
Expenditure on lettings:								
Management	5,464	1,848	335	-	1,047	3,256	11,950	10,479
Services	3,590	2,771	171	258	215	953	7,958	7,454
Routine and planned maintenance	10,301	3,433	237	30	58	346	14,405	12,912
Rent losses from bad debts	397	142	10	-	-	16	565	501
Major repairs expenditure	5,883	3,224	40	7	7	93	9,254	8,846
Property leasing costs and agency fees	108	-	482	-	-	136	726	663
Depreciation of housing properties	2,818	376	205	40	4	107	3,550	3,388
Other items	3	1	-	-	-	-	4	7
Operating costs of lettings	28,564	11,795	1,480	335	1,331	4,907	48,412	44,250
Operating surplus/(deficit) on lettings	6,835	1,470	469	603	(244)	(485)	8,648	10,305

Net rental income above is stated after deducting voids for the year of £937,000 (2008: £774,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND SURPLUS (CONTINUED)

Consolidated Operating Activities (Continued)

Other Income and Expenditure

	2009			2008	
	Turnover £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000	Turnover £'000	Operating (Deficit)/ Surplus £'000
Sale of houses acquired for disposal	4,261	(4,380)	(119)	9,509	352
Impairment of housing assets and stock	-	(324)	(324)	-	-
Other	12,562	(11,432)	1,130	9,962	(559)
Total	16,823	(16,136)	687	19,471	(207)

Association Operating Activities

Income and Expenditure from Lettings

	2009			Proforma 2008	
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Surplus £'000
Social housing	55,111	(47,046)	8,065	52,656	9,720
Non social housing	-	-	-	-	-
Total	55,111	(47,046)	8,065	52,656	9,720

YORKSHIRE HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND SURPLUS (CONTINUED)

Association Operating Activities (Continued)

Income and Expenditure from Lettings (Continued)

	2009					Proforma 2008	
	General Needs	Housing for Older People	Shared Ownership	Care & Group Homes	Supported Housing	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover of lettings:							
Rent receivable	32,574	11,061	479	723	978	45,815	44,239
Supported People Income	430	852	-	-	2,205	3,487	3,603
Charges for other support services	-	-	-	355	773	1,128	879
Service charges receivable	2,395	1,352	459	9	466	4,681	3,935
Turnover from lettings	35,399	13,265	938	1,087	4,422	55,111	52,656
Expenditure on lettings:							
Management	5,522	1,848	-	1,047	3,256	11,673	10,271
Services	3,590	2,771	258	215	953	7,787	7,289
Routine and planned maintenance	10,301	3,433	30	58	346	14,168	11,891
Rent losses from bad debts	397	142	-	-	16	555	496
Major repairs expenditure	5,883	3,224	7	7	93	9,214	9,619
Property leasing costs and agency fees	108	-	-	-	136	244	182
Depreciation of housing properties	2,818	376	40	4	107	3,345	3,181
Other items	59	1	-	-	-	60	7
Operating costs of lettings	28,678	11,795	335	1,331	4,907	47,046	42,936
Operating surplus on lettings	6,721	1,470	603	(244)	(485)	8,065	9,720

Net rental income above is stated after deducting voids for the year of £779,000 (2008: £619,000)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND SURPLUS (CONTINUED)

Association Operating Activities (Continued)

Other Income and Expenditure

	2009			Proforma 2008	
	Turnover £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000	Turnover £'000	Operating (Deficit)/ Surplus £'000
Sale of houses acquired for disposal	4,261	(4,380)	(119)	9,509	352
Impairment of housing assets and stock	-	(324)	(324)	-	-
Other	12,126	(11,394)	732	9,471	(759)
Total	16,387	(16,098)	289	18,980	(407)

	Group Number of Units		Association Number of Units	
	31.3.09	1.4.08	31.3.09	Proforma 1.4.08
Accommodation in Management				
General Needs	9,783	9,060	9,783	9,060
Housing for Older People	2,923	3,532	2,923	3,532
Shared Ownership	379	368	379	368
Market Rent	330	333	122	122
Supported Housing	292	233	292	233
Care and Group Homes	40	40	40	40
Registered Nursing Homes	59	59	59	59
Total	13,806	13,625	13,598	13,414
Units managed by other bodies	361	402	454	498

3. JOINT VENTURE RESULTS

Yorkshire Transformations Ltd and Yorkshire Transformations Holdings Ltd

Yorkshire Transformations Ltd is a wholly owned subsidiary of Yorkshire Transformations Holdings Ltd. The share capital of Yorkshire Transformations Holdings Ltd is held in equal shares by Yorkshire Housing Limited, Bank of Scotland Infrastructure Finance Limited and Carillion Private Finance Limited.

The principal activity of this company is the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with Leeds City Council.

Yorkshire Transformations Holdings Ltd and Yorkshire Transformations Ltd have a non-coterminous year end with the Group, being 31 December.

Yorkshire Housing Limited's share (33%) of the income and expenditure of Yorkshire Transformations Ltd for the years ended 31 December 2006 and 2007 is consolidated into the Group's financial statements. Yorkshire Housing Limited has also included its share of the gross assets and liabilities of the joint venture.

YORKSHIRE HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

3. JOINT VENTURE RESULTS (CONTINUED)

Yorkshire Transformations Holdings Ltd

Balance Sheet:	31 Dec 2008 33% Share £'000	31 Dec 2007 33% Share £'000
Fixed Assets		
Investments	33	33
Share capital and reserves		
Called up share capital	33	33

Yorkshire Transformations Ltd

Profit and loss account:	31 Dec 2008 33% Share £'000	31 Dec 2007 33% Share £'000
Turnover	1,950	1,042
Operating Surplus	494	71
Interest payable	(360)	-
Interest receivable	55	42
Surplus before taxation	189	113
Taxation	(53)	(34)
Surplus after taxation	136	79

The turnover for Yorkshire Transformations Ltd includes the charge for facilities management from Yorkshire Housing Limited which is recharged to Leeds City Council. This has been excluded in calculating the joint venture turnover added to the Consolidated Income & Expenditure account.

Balance Sheet:	31 Dec 2008 33% Share £'000	31 Dec 2007 33% Share £'000
Current Assets		
Stock	10,325	6,662
Debtors falling due within one year	400	203
Cash at bank and in hand	1,718	1,422
Gross Assets	12,443	8,287
Creditors falling due within one year	(2,416)	(813)
Creditors falling due after more than one year	(9,271)	(6,940)
Provisions for liabilities and charges	(423)	(337)
Gross liabilities	(12,110)	(8,090)
Net assets	333	197
Share capital	-	-
Profit and loss account	333	197
	333	197

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

3. JOINT VENTURE RESULTS (CONTINUED)

Investment in Yorkshire Transformations Holdings Ltd

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
£1 share capital	-	-	33	33
Deferred loanstock	1,337	1,351	1,337	1,351
	1,337	1,351	1,370	1,384

4. SURPLUS ON PROPERTY SALES

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Proceeds	1,207	3,052	854	1,468
Cost of Sales	(526)	(1,825)	(349)	(615)
Surplus	681	1,227	505	853

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Interest receivable from cash deposits:				
Group	1,282	610	1,273	619
Share of joint venture	55	42	-	-
Interest receivable from group loans:				
Group	-	-	18	120
Other finance income (note 28)	-	119	-	119
Total	1,337	771	1,291	858

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:				
Group				
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	13,020	12,762	12,130	11,823
Share of joint venture	360	-	-	-
	13,380	12,762	12,130	11,823
Less: Interest capitalised	(668)	(534)	(668)	(534)
Total	12,712	12,228	11,462	11,289

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

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

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
(Deficit)/Surplus on ordinary activities before taxation is stated after charging:				
<i>Depreciation:</i>				
Tangible owned fixed assets:				
Housing Properties	3,612	3,451	3,406	3,242
Non housing fixed assets	545	581	509	537
Loss on disposal of non-housing fixed assets	19	25	9	25
Amortisation of negative goodwill	(360)	(360)	(360)	(360)
Impairment of housing assets	270	-	270	-
Impairment of stock	54	-	54	-
<i>Auditors' remuneration:</i>				
For audit services	59	94	59	94
For other services (taxation services)	19	18	19	18
<i>Operating lease rentals:</i>				
Land and buildings	989	786	488	297
Office equipment and motor vehicles	481	334	478	333

8. TAXATION

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Tax reconciliation				
(Deficit) on ordinary activities before taxation	(1,213)	(218)	(1,400)	(265)
Adjustments for charitable activities exempt from tax	1,369	-	1,369	-
Other adjustments to taxable surplus	322	370	31	265
Taxable Surplus	478	152	-	-
Tax at 30%	143	46	-	-
Unrelieved losses and other deductions	(143)	(46)	-	-
Current tax charge for the year	-	-	-	-
Share of joint venture	53	34	-	-
Total	53	34	-	-

9. DESIGNATED RESERVES

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
As at 1 April 2008	5,870	5,251	5,870	5,236
Transfer from Income and Expenditure account	981	1,006	981	1,006
Transfer (to) Income and Expenditure account	(365)	(387)	(365)	(372)
As at 31 March 2009	6,486	5,870	6,486	5,870

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

10. RESTRICTED RESERVE

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
As at 1 April 2008	10	10	10	10
Transfer (to) Income and Expenditure account	-	-	-	-
As at 31 March 2009	10	10	10	10

Restricted Reserve:

The Restricted Reserve is a Hardship fund.

11. REVALUATION RESERVE

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
As at 1 April 2008	29,035	29,042	29,035	29,042
Realised (gain) on sales of housing properties	-	(7)	-	(7)
As at 31 March 2009	29,035	29,035	29,035	29,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

12. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUNDS

Group

	Accumulated Surplus £'000	Pension Reserve £'000	Designated Reserves £'000	Restricted Reserve Reinvestment Fund £'000	Revaluation Reserve £'000	Negative Goodwill £'000	Total £'000
As at 1 April 2008	16,333	(2,841)	5,870	10	29,035	26,036	74,443
Prior Year Adjustment	5,443	-	-	-	-	-	5,443
Restated as at 1 April 2008	21,776	(2,841)	5,870	10	29,035	26,036	79,886
(Deficit)/Surplus for the Financial Year	(794)	(212)	-	-	-	(360)	(1,366)
Actuarial (Loss) for the Financial Year	-	(1,998)	-	-	-	-	(1,998)
Transfer to/(from) reserves	(616)	-	616	-	-	-	-
Realised (gain) on sales of housing properties	-	-	-	-	-	-	-
As at 31 March 2009	20,366	(5,051)	6,486	10	29,035	25,676	76,522

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

12. RECONCILIATION OF MOVEMENT IN ACCUMULATED FUNDS (CONTINUED)

Association

	Accumulated Surplus £'000	Pension Reserve £'000	Designated Reserves £'000	Restricted Reserve Reinvestment Fund £'000	Revaluation Reserve £'000	Negative Goodwill £'000	Total £'000
As at 1 April 2008 - Proforma	20,329	(2,841)	5,870	10	29,035	26,036	78,439
Prior Year Adjustment	5,443						5,443
Restated as at 1 April 2008	25,772	(2,841)	5,870	10	29,035	26,036	83,882
(Deficit)/Surplus for the Financial Year	(1,188)	(212)	-	-	-	(360)	(1,760)
Prior Year Adjustment	-	-	-	-	-	-	-
Actuarial (Loss)/Gain for the Financial Year	-	(1,998)	-	-	-	-	(1,998)
Transfer to/(from) reserves	(616)	-	616	-	-	-	-
Realised (gain) on sales of housing properties	-	-	-	-	-	-	-
As at 31 March 2009	23,968	(5,051)	6,486	10	29,035	25,676	80,124

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group

	Completed Housing Properties	Completed Registered Nursing Homes	Completed Shared Ownership Housing Properties	Housing Properties in the course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>					
At 1 April 2008	513,584	1,996	13,997	8,785	538,362
Prior Year Adjustment	4,973	2	(3,039)	297	2,233
Restated at 1 April 2008	518,557	1,998	10,958	9,082	540,595
Additions during year – major repairs	1,690	16	-	-	1,706
Additions during year - other	15,004	-	209	22,900	38,113
Impairment	(270)	-	-	-	(270)
Transferred on completion	10,319	3	-	(10,322)	-
Disposals during year	(433)	-	(89)	-	(522)
At 31 March 2009	544,867	2,017	11,078	21,660	579,622
<u>Social Housing Grant</u>					
At 1 April 2008	228,237	-	5,914	3,860	238,011
Received in year	4,477	-	-	6,287	10,764
Transferred on completion	4,687	-	-	(4,687)	-
Transferred or repaid during year	(150)	-	(284)	-	(434)
At 31 March 2009	237,251	-	5,630	5,460	248,341
<u>Depreciation</u>					
At 1 April 2008	17,295	92	315	-	17,702
Prior Year Adjustment	237	-	5	-	242
Restated at 1 April 2008	17,532	92	320	-	17,944
Charge for year	3,512	27	73	-	3,612
Eliminated in respect of disposals	(16)	-	(10)	-	(26)
At 31 March 2009	21,028	119	383	-	21,530
NBV 31 March 2009	286,588	1,898	5,065	16,200	309,751
NBV 31 March 2008	272,292	2,459	4,723	5,166	284,640

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Group (Continued)

Included in the above is the net cost of short leasehold properties of £22,260 (2008: net £22,260).

Development costs have been capitalised amounting to £638,000 (2008: £546,000).

Interest has been capitalised amounting to £668,000 (2008: £534,000)

The net historical cost of completed properties is £315,081,000 (2008: £297,418,000).

Housing Properties are shown:

	2009	2008
	£'000	£'000
At Cost	374,292	335,265
At Valuation	143,897	143,897
Gross up SHG on merger	61,433	61,433
Total	579,622	540,595

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Association

	Completed Housing Properties	Completed Registered Nursing Homes	Completed Shared Ownership Housing Properties	Housing Properties in the course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>					
At 1 April 2008 - Proforma	497,210	1,996	13,997	8,785	521,988
Prior Year Adjustment	4,973	2	(3,039)	297	2,233
Restated at 1 April 2008	502,183	1,998	10,958	9,082	524,221
Additions during year – major repairs	1,690	16	-	-	1,706
Additions during year – other	14,897	-	209	22,900	38,006
Impairment	(270)	-	-	-	(270)
Transferred on completion	10,319	3	-	(10,322)	-
Disposals during year	(265)	-	(89)	-	(354)
At 31 March 2009	528,554	2,017	11,078	21,660	563,309
<u>Social Housing Grant</u>					
At 1 April 2008 - Proforma	228,237	-	5,914	3,860	238,011
Received in year	4,477	-	-	6,287	10,764
Transferred on completion	4,687	-	-	(4,687)	-
Transferred or repaid during year	(150)	-	(284)	-	(434)
At 31 March 2009	237,251	-	5,630	5,460	248,341
<u>Depreciation</u>					
At 1 April 2008 - Proforma	16,411	92	315	-	16,818
Prior Year Adjustment	237	-	5	-	242
Restated at 1 April 2008	16,648	92	320	-	17,060
Charge for year	3,306	27	73	-	3,406
Eliminated in respect of disposals	(13)	-	(10)	-	(23)
At 31 March 2009	19,941	119	383	-	20,443
NBV 31 March 2009	271,362	1,898	5,065	16,200	294,525
NBV 31 March 2008 Proforma	256,802	2,459	4,723	5,166	269,150

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Association (Continued)

Included in the above is the net cost of short leasehold properties of £22,260 (2008: net £22,260).

Development costs have been capitalised amounting to £638,000 (2008: £546,000).

Interest has been capitalised amounting to £668,000 (2008: £534,000)

The net historical cost of completed properties is £298,763,000 (2008: £281,044,000).

Housing Properties are shown:

	2009	2008
	£'000	£'000
At Cost	357,979	318,891
At Valuation	143,897	143,897
Gross up SHG on merger	61,433	61,433
Total	563,309	524,221

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

14. OTHER TANGIBLE FIXED ASSETS

Group	Freehold Offices and shops £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2008	4,606	1,273	3,028	395	9,302
Additions during year	456	155	422	-	1,033
Disposals during year	-	(41)	-	(15)	(56)
At 31 March 2009	5,062	1,387	3,450	380	10,279
Depreciation					
At 1 April 2008	970	953	2,294	238	4,455
Charge for year	96	92	327	30	545
Eliminated in respect of disposals	-	(27)	-	(10)	(37)
At 31 March 2009	1,066	1,018	2,621	258	4,963
NBV 31 March 2009	3,996	369	829	122	5,316
NBV 31 March 2008	3,636	320	734	157	4,847

Included in office premises are leasehold office premises with a cost of £310,000 (2008: £201,000), accumulated depreciation of £217,000 (2008: £200,000) and a net book value of £93,000 (2008: £1,000).

Association

	Freehold Offices and shops £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2008 Proforma	2,562	1,220	3,010	395	7,187
Additions during year	456	155	422	-	1,033
Disposals during year	-	(11)	-	(15)	(26)
At 31 March 2009	3,018	1,364	3,432	380	8,194
Depreciation					
At 1 April 2008 Proforma	744	923	2,276	238	4,181
Charge for year	62	90	327	30	509
Eliminated in respect of disposals	-	(7)	-	(10)	(17)
At 31 March 2009	806	1,006	2,603	258	4,673
NBV 31 March 2009	2,212	358	829	122	3,521
NBV 31 March 2008 Proforma	1,818	297	734	157	3,006

Included in office premises are leasehold office premises with a cost of £310,000 (2008: £201,000), accumulated depreciation of £217,000 (2008: £200,000) and a net book value of £93,000 (2008: £1,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

15. STOCK & WORK IN PROGRESS

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Properties for sale – low cost home ownership	313	2,657	313	2,657
Assets to transfer to subsidiary company	-	-	945	840
	313	2,657	1,258	3,497
Prior Year Adjustment	-	3,452	-	3,452
Total	313	6,109	1,258	6,949

16. DEBTORS

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Amounts falling due after more than one year				
Prepayment and accrued income	-	414	-	414
Amounts falling due within one year				
Rent Arrears (net of provision for doubtful debts)	1,996	1,212	1,992	1,207
Prepayments and accrued income	1,880	6,758	1,861	6,751
Other debtors	2,422	1,859	2,422	1,660
Amounts due from group undertakings	-	-	-	246
	6,298	9,829	6,275	9,864
Total	6,298	10,243	6,275	10,278

Within prepayments and accrued income are the deferred costs relating to the modernisation of Craven properties amounting to £930,000 (2008: £2,439,000) of which £nil (2008: £414,000) falls due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

17. INVESTMENTS

Fixed Asset-Investments

	Group				Association			
	2009		2008		2009		Proforma 2008	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment in Group Undertakings		-		-		1,421		1,421
Group Loans		-		-		400		400
Deferred Group Loan		-		-		3,227		3,264
Joint Venture - Yorkshire Transformations Holdings Ltd		33		33		-		-
Joint Venture - Yorkshire Transformations Ltd		333		197		-		-
Investment in Yorkshire Transformations Holdings Ltd		1,337		1,351		1,370		1,384
Share Investments		6		6		6		6
Homebuy								
Gross Homebuy asset	2,200		1,087		2,200		1,087	
Financing	(2,200)		(1,087)		(2,200)		(1,087)	
Total		1,709		1,587		6,424		6,475

Current Asset-Investments

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Cash Deposits	30,712	6,363	30,712	6,363
Debt Service reserve fund	605	605	605	605
Total	31,317	6,968	31,317	6,968

The cash deposits are deposited with building societies and banks. The Debt Service reserve fund is held for a bond issue and is invested in stock under the management of the Royal Bank of Canada Global Markets. The investments are held at cost, their current valuation at the year end being £707,327 (2008: £702,046).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	547	382	547	348
Housing Loans	653	415	453	415
Housing Loan Interest	1,850	1,760	1,749	1,693
Trade Creditors	6,165	8,068	6,123	8,046
Rent prepaid	1,199	1,014	1,005	805
Other taxation and social security payable	476	448	474	446
Accruals and deferred income	4,767	5,561	4,669	5,463
Amounts due to group undertakings	-	-	513	-
Other creditors	222	352	184	292
Total	15,879	18,000	15,717	17,508

Included within accruals and deferred income is £215,000 (2008: £215,000) relating to a provision for closure costs of Safe Haven Yorkshire.

Closure cost provision

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
As at 1 April 2008	215	575	215	575
Charge to Income and Expenditure Account	-	-	-	-
Charge to provision	-	(360)	-	(360)
As at 31 March 2009	215	215	215	215

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

	Group		Association	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
Commitment for modernisation of Craven properties	-	414	-	414
Disposal Proceeds Fund	768	1,016	768	1,016
Capital Grant Recycled Fund	522	548	522	548
Housing Loans	257,146	212,914	242,345	197,915
Other	48	73	-	-
Total	258,484	214,965	243,635	199,893

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

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

Movements in the Disposal Proceeds Fund were as follows:

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
As at 1 April 2008	1,016	713	1,016	713
Inputs to reserve:				
Grants recycled	-	250	-	250
New Build	(283)	-	(283)	-
Interest accrued	35	53	35	53
Amount due for repayment to the Housing Corporation	768	1,016	768	1,016

Movements in the Recycled Capital Grant Fund were as follows:

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
As at 1 April 2008	548	128	548	128
Inputs to reserve:				
Grants recycled	350	120	350	120
New build	(392)	284	(392)	284
Interest accrued	16	16	16	16
Amount due for repayment to the Housing Corporation	522	548	522	548

Housing Loans from local authorities, banks and building societies are secured by fixed charges on 9,175 (2008: 9,107) of the Group's housing properties and are repayable at varying rates of interest in instalments due as follows:

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Within 1 year	653	415	453	415
Within 1 – 2 years	678	922	465	422
Within 2 – 5 years	3,364	2,304	1,494	1,304
Over 5 years	253,104	209,688	240,386	196,189
	257,146	212,914	242,345	197,915
Total	257,799	213,329	242,798	198,330

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

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

The interest rate risk profile of the financial liabilities at 31 March 2009 was:

Total Borrowing	Total Variable	Total fixed rate	Weighted average rate	Weighted average time for which rate is fixed
£'000	£'000	£'000	%	Years
257,799	80,223	177,576	4.28	18

20. SHARE CAPITAL

	2009 £	2008 £
Shares of £1 each, issued and fully paid, plus £1 loan stock		
As at 1 April 2008	178	195
Net issues less retirements	245	(17)
As at 31 March 2009	423	178

The shares are non-transferable, non-redeemable and carry no rights to receive either income or capital payments. They are thus classified as non-equity shares in accordance with Financial Reporting Standard 4.

21. GROSS CASH FLOWS

	2009		2008	
	£'000	£'000	£'000	£'000
<u>Returns on investments and servicing of finance</u>				
Interest received	178		610	
Interest (paid)	(12,262)		(12,557)	
		(12,084)		(11,947)
<u>Capital Expenditure and Financial Investment</u>				
Acquisition and construction of housing properties	(39,658)		(19,037)	
Social Housing grants received	13,598		10,911	
Sales of housing properties	1,207		3,052	
Purchase of other tangible fixed assets	(1,033)		(669)	
Cost of sales of housing properties	(134)		(473)	
		(26,020)		(6,216)
<u>Management of liquid resources</u>				
(Increase) in short-term cash deposits		(24,349)		(5,313)
<u>Financing</u>				
Housing loans received	47,876		44,041	
Housing loans (repaid)	(3,406)		(30,433)	
		44,470		13,608

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2008 £'000	Cash Flows £'000	At 31 March 2009 £'000
Cash at bank & in hand	1,298	(66)	1,232
Bank Loans and Overdrafts	(382)	(165)	(547)
	916	(231)	685
Short term cash deposits	6,968	24,349	31,317
Housing loans - due within 1 year	(415)	(238)	(653)
Housing loans - due within 1 - 2 years	(922)	244	(678)
- due within 2 - 5 years	(2,304)	(1,060)	(3,364)
- due over 5 years	(209,688)	(43,416)	(253,104)
Total net debt	(205,445)	(20,352)	(225,797)

23. EMOLUMENTS OF THE BOARD AND DIRECTORS

	2009 £'000	2008 £'000
--	---------------	---------------

Board

No board member received any remuneration other than reimbursement of expenses.

Expenses reimbursed to the board not chargeable to UK income tax	10	13
--	----	----

Directors

The remuneration paid to the directors of the Group was: -

Emoluments paid to:

The highest paid director (Chief Executive)	126	132
---	-----	-----

Total directors' emoluments:	611	573
------------------------------	-----	-----

Included in the above is an amount of £125,000 (2008: £nil) paid to a Director for loss of office during the year.

The number of directors including the highest paid director who received emoluments (excluding loss of office) in the following ranges was:

£25,001 to £30,000	-	2
£60,001 to £65,000	1	-
£70,001 to £75,000	-	-
£75,001 to £80,000	-	1
£80,001 to £85,000	1	1
£85,001 to £90,000	-	-
£90,001 to £95,000	2	-
£95,001 to £100,000	-	-
£105,001 to £110,000	-	1
£115,001 to £120,000	1	1
£125,001 to £130,000	1	-
£130,001 to £135,000	-	1

The Chief Executive is a member of the North Yorkshire C.C. Superannuation Fund, available to all Yorkshire Housing Association members of staff, under the same conditions. Contributions paid during the year were £17,809.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

24. EMPLOYEE INFORMATION

	<u>Group</u>		<u>Association</u>	
	<u>2009</u> <u>Number</u>	<u>2008</u> <u>Number</u>	<u>2009</u> <u>Number</u>	<u>Proforma</u> <u>2008</u> <u>Number</u>
The average monthly number of persons, expressed as full time equivalents, (including the Chief Executive) employed during the year was:	617.0	578.9	617.0	578.9
	<u>Group</u>		<u>Association</u>	
	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>	<u>2009</u> <u>£'000</u>	<u>Proforma</u> <u>2008</u> <u>£'000</u>
Staff costs (for the above persons) were:				
Wages and salaries	15,588	13,408	15,588	13,408
Social security costs	1,266	1,100	1,266	1,100
Other pension costs	1,234	1,032	1,234	1,032
Total	18,088	15,540	18,088	15,540

11 (2008:9) persons were employed on a joint contract between Yorkshire Housing Residential Limited and the Association, remunerated by the Association and recharged at £298,000 to Yorkshire Housing Residential Limited.

25. SHARES IN GROUP UNDERTAKINGS

<u>Subsidiary name</u>	<u>Registered Social Landlord & Registered Number</u>	<u>£1 Shares held by YHL</u>	<u>Basis of control</u>
Yorkshire Community Property Services Limited	No	1,421,001	100% shares
YH Residential Limited	No	100	100% shares
Yorkshire Transformations Holdings Limited	No	33,334	33.3% shares

All the above are registered in England.

Yorkshire Community Property Services Limited owns the organisation's York office, Yorkshire House, which is provided to Yorkshire Housing Limited. The total amount payable for the rent of this office was £56,000 (2008: £56,000). Management charges to the company were £18,540 (2008: £18,540).

YH Residential Limited owns and manages the market rented homes portfolio. Management charges to the company were £103,584 (2008: £103,584) for finance and other central services. A charge of £20,000 (2008: £1.666 pcm from December 2007) was also made to the company for use of office premises.

YH Residential managed properties on behalf of Yorkshire Housing Limited generating income of £56,700 of which £12,374 was retained as a management charge.

Yorkshire Transformations Holdings Limited is a joint venture which undertakes the Swarcliffe modernisation project.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

26. CAPITAL COMMITMENTS

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Capital Expenditure contracted for less certified Capital Expenditure authorised by the Board but not contracted at the year end	14,651	29,515	14,651	29,515
	51,370	73,903	51,370	73,903
Total	66,021	103,418	66,021	103,418

It is proposed that the above commitment will be funded as follows:

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Loans	23,039	58,760	23,039	58,760
Grant	24,429	24,752	24,429	24,752
Disposals of Property	18,553	19,906	18,553	19,906
Total	66,021	103,418	66,021	103,418

27. OPERATING LEASE COMMITMENTS

Commitments under leases to pay rentals during the year following the year of these financial statements were:

	Group		Association	
	2009	2008	2009	Proforma
	£'000	£'000	£'000	2008
				£'000
Land and Buildings:				
Expiring within 1 year	229	213	209	193
Expiring within 2-5 years	159	111	159	111
Expiring after 5 years	656	543	170	56
Equipment & Vehicles:				
Expiring within 1 year	151	58	150	57
Expiring within 2-5 years	407	448	406	448
Expiring after 5 years	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

28. PENSIONS

The Group contributes to the North Yorkshire County Council Superannuation Fund (NYCCSF) which is a defined benefit scheme and to the Social Housing Pension Scheme (SHPS), which is a multi-employer defined benefit scheme.

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS 17), the Group is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

NORTH YORKSHIRE COUNTY COUNCIL SUPERANNUATION FUND

The actuarial liability in relation to the NYCCSF scheme is subject to a triennial valuation by Mercer Human Resource Consulting Limited, qualified independent actuaries. The latest available valuation was carried out as at 31 March 2007 using the Projected Units method. The calculations were carried out taking into account that admitted bodies are to fund the future pension obligations at the 100% level.

The financial assumptions used for the purposes of the FRS17 calculation were as follows:

Assumptions as at :	2009	2008
	%	%
Rate of inflation	3.30	3.60
Rate of increase in salaries	5.05	5.35
Rate of increase in pensions	3.30	3.60
Discount rate	7.10	6.10

Demographic Assumptions

	2009	2008
Post Retirement Mortality		
Non-retired members (retiring in the future in normal health)	PA92mc YOB tables + 1 yr	PA92mc YOB tables + 1 yr
Current pensioners (retired in normal health)	PA92mc YOB tables + 1 yr	PA92mc YOB tables + 1 yr
Life Expectancy		
Of a male (female) future pensioner aged 65 in 20 years time	22.2(25.0) yrs	22.2(25.0) yrs
Of a male (female) current pensioner aged 65	21.2(24.0) yrs	21.1 (24.0) yrs
Commutation of pension for lump sum at retirement	50% take 3/80 th s cash	50% take maximum cash

The Actuaries have calculated the expected return of assets to be:

	Expected Return (% of investment)	
Asset Class	2009	2008
Equities	7.50	7.50
Government Bonds	4.00	4.60
Other Bonds	6.00	6.10
Property	N/A	N/A
Cash/Liquidity	0.50	5.25
Other	7.50	7.50

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

28. PENSIONS (CONTINUED)

NORTH YORKSHIRE COUNTY COUNCIL SUPERANNUATION FUND (CONTINUED)

The expected rate of return of assets is based on market expectations at the beginning of the year, for investment returns over the entire life of the related obligation. The assumption used is the average of the above rates appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The expected investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date.

The expected investment return on corporate bonds is based on the market yields at the relevant date restricted to 2% p.a. over and above that available on gilts.

The expected investment return on equities is the yield on 20 year fixed interest gilts plus an estimated risk premium.

The split of assets between investment categories is:

	(% of investment)	
	2009	2008
Equities	74.8	72.9
Government Bonds	8.5	4.4
Other Bonds	11.2	17.4
Property	-	-
Cash/Liquidity	4.4	1.4
Other	1.1	3.9

In accordance with Paragraph 77(a) of FRS17 (as revised), the assets for the current and previous two periods are measured at current bid price. Asset and liability values previously measured at mid-market value for period ended 2008 and 2007 have been re-measured for this purpose. Asset and liability values for 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised) as the effect of doing so is not considered to be material. Information for 2006 and 2005 can be obtained from this and previous FRS17 disclosures.

	Present Value of Association's Share in Scheme Liabilities £'000	Fair value of Association's Share in Scheme Assets £'000	Association's Share in Scheme (Deficit)/ Surplus £'000
Year ended 31 st March 2009	14,754	9,703	(5,051)
Year ended 31 st March 2008	16,568	13,727	(2,841)
Year ended 31 st March 2007	15,503	14,514	(989)
Year ended 31 st March 2006	15,199	13,369	(1,830)
Year ended 31 st March 2005	12,502	10,259	(2,243)

Yorkshire Housing Limited paid contributions at rates between 12.2% and 16.5% during the year ended 31 March 2009. Member contributions were paid at rates between 5.5% and 7.5%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)**28. PENSIONS (CONTINUED)****NORTH YORKSHIRE COUNTY COUNCIL SUPERANNUATION FUND (CONTINUED)**

The value of the Group's share of the scheme assets is as follows:

	2009	2008
	£'000	£'000
Asset Class		
Equities	7,257	10,008
Government Bonds	825	604
Other Bonds	1,087	2,388
Cash/Liquidity	427	192
Other	107	535
Total	9,703	13,727

Pension costs have been charged to the Income and Expenditure account on the basis of contributions payable for the year to the North Yorkshire Pension Fund (based on a formal actuarial valuation for 31 March 2009) and the pension payable in the year to retired employees. At the 31 March 2009 the Group had the following pension assets and liabilities that have been included within the Balance sheet:

Net Pension Balance Sheet (Liability)

	2009	2008
	£'000	£'000
Market Value of Assets	9,703	13,727
Pension Scheme Liabilities	(14,754)	(16,568)
Net Pension (Liability)	(5,051)	(2,841)

The actual contribution paid by Yorkshire Housing Limited in 2009 was £464,535 (2008: £417,602).

The movement in the net pension liability for the year is as follows:

Movement in Liability

	2009	2008
	£'000	£'000
Liability 1 April 2008	(2,841)	(975)
Current Service (Cost)	(690)	(533)
Employer Contributions	566	418
Past Service Cost / Curtailment Gain	-	(113)
Net Interest/ Return on Assets	(88)	119
Actuarial (Loss)	(1,998)	(1,757)
Liability 31 March 2009	(5,051)	(2,841)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)**28. PENSIONS (CONTINUED)****NORTH YORKSHIRE COUNTY COUNCIL SUPERANNUATION FUND (CONTINUED)**

The movement in the net pension liability can be analysed between the following revenue items:

Revenue Item Classification	2009	2008
	£'000	£'000
Amounts charged to Operating Profit		
Current Service (Cost)	(690)	(533)
Employer Contributions	566	418
Past Service/Curtailment (Cost)	-	(113)
Total (Cost)	(124)	(228)
Amounts (debited to Other Finance Costs)/credited to Other Finance Income		
Expected Return on Assets	958	966
Interest on Pension Liabilities	(1,046)	(847)
Net (Cost)	(88)	119

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009:

Statement of Actuarial Gains / (Losses)	2009	2008
	£'000	£'000
Asset (Loss)	(6,013)	(1,849)
Liability Gain	4,015	823
Change in assumptions	-	(731)
Net (Loss)	(1,998)	(1,757)

History of Experience Gain / (Losses)

	2009	2008
	£'000	£'000
Difference between Expected and Actual Return on Assets	(6,013)	(1,849)
Value of Assets	9,703	13,727
% of Assets	62.0	13.5
Experience Gains on Liabilities	4,015	823
Value of Liabilities	14,754	16,568
% of Liabilities	27.2	5.0

SOCIAL HOUSING PENSION SCHEME

The Group contributes to the Social Housing Pension Scheme (SHPS), which is a multi-employer defined benefit scheme. The Scheme is funded and contracted out of the state scheme.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available; final salary with a 1/60th accrual rate, final salary with a 1/70th accrual rate and career average revalued earnings with a 1/60th accrual rate. An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure (one which new entrants are able to join) at any one time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

28. PENSIONS (CONTINUED)

SOCIAL HOUSING PENSION SCHEME (CONTINUED)

The Group has elected to continue the final salary with a 1/60th accrual rate, benefit structure for active members and new entrants.

The Trustees commission an actuarial valuation of the Scheme every 3 years in order to determine the financial position of the Scheme and consequently the level of future contributions required to ensure the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

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

The Group paid contributions at the rate of 16.4% during the year. Member contributions varied between 4.1% and 6.1% depending on their age.

As at 31 March 2009 there were 187 active members of the Scheme employed by the Group. The Group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the Scheme, the income and expenditure account charge for the year under both SSAP 24 and FRS17 represents the employer's contributions payable.

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

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

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

Expenses for death in service insurance, administration and PDF Levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

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

Mortality post retirement 90% SIPA Year of Birth, long cohort projection, minimum improvement 1% p.a.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at between 17.8% and 14.9% of pensionable salaries, being 17.8% of pensionable salaries for the Group's benefit structure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

28. PENSIONS (CONTINUED)

SOCIAL HOUSING PENSION SCHEME (CONTINUED)

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

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

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme. Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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

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 amount of debt can therefore be volatile over time.

The Scheme Actuary has estimated the employer debt that would have been payable if the Group had withdrawn from the Scheme as at 30 September 2008 at £18.2m.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

29. TRANSACTIONS WITH RELATED PARTIES

A proportion of the Board members and shareholders are tenants of the Group and reside in the Group's property. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Group and they are not able to use their position to advantage.

Yorkshire Housing Limited has taken advantage of the exemption within FRS8 not to disclose related party transactions with 90% or more wholly owned subsidiaries.

Related party transactions with Yorkshire Transformations Limited were as follows:

	2009 £'000	2008 £'000
Income	2,314	1,766
Debtor at 31 March	<u>217</u>	<u>6</u>

There have been no other related party transactions during the year other than disclosed elsewhere in the financial statements.

30. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the first time adoption of SORP 2008.

Analysis of Prior Year Adjustment

	Group		Association	
	£'000	£'000	£'000	£'000
Adjustment to opening reserves 01.04.07				
Capitalisation of development costs	2,451		2,451	
Capitalisation of interest	2,154		2,154	
Depreciation on capitalised development costs and interest	(167)		(167)	
		<u>4,438</u>		<u>4,438</u>
Adjustment to the Income & Expenditure account for the year ended 31.03.08				
Capitalisation of development costs	546		546	
Capitalisation of interest	534		534	
Depreciation on capitalised development costs and interest	(75)		(75)	
		<u>1,005</u>		<u>1,005</u>
Total Prior Year Adjustment to I&E Account		<u>5,443</u>		<u>5,443</u>
Adjustment to housing fixed assets and Stock & work in progress re shared ownership properties		(3,452)		(3,452)
Total		<u>1,991</u>		<u>1,991</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)**31. NEGATIVE GOODWILL**

On 1 April 1999, Brunel & Family Housing Association Limited acquired the net assets of Support Works Limited for no consideration. The combination of assets has been accounted for under the acquisition method of accounting.

On 13 December 2005, Yorkshire Housing Limited acquired the net assets of Brunel & Family Housing Association Limited for no consideration.

	<u>Group</u>		<u>Association</u>	
	2009	2008	2009	Proforma 2008
	£'000	£'000	£'000	£'000
As at 1 April 2008	26,036	26,396	26,036	26,396
Amortised in the year	(360)	(360)	(360)	(360)
As at 31 March 2009	25,676	26,036	25,676	26,036