

**Sentinel Housing Association Limited**

**Board Report**

**And**

**Consolidated Financial Statements**

**31 March 2008**

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## Report of the Board

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The Board presents its report and the audited financial statements of Sentinel Housing Association Limited (Sentinel) for the year ended 31 March 2008.

In addition to the results of Sentinel the financial statements include consolidated information to reflect the performance of Sentinel's subsidiary, Vestal Developments Limited (Vestal).

Throughout the financial statements the consolidated results and those of the Association are shown separately where different. Consolidated information is shown under the heading "Group". In very many cases however the information is the same so that it is only reported once.

### Principal Activities

Sentinel's statement of purpose is:

*Striving to be the best housing association in the region, working with communities as part of the local economy to provide good affordable homes that people want.*

Sentinel (the Association) is a Registered Social Landlord (RSL) with principal activities of:

- provision, management and maintenance of rented social housing
- acquisition and development of new homes
- provision of properties for shared ownership, Homebuy and rent at market rents
- provision of a domiciliary care service for elderly and other members of the community.

Sentinel is also the lead association in the Sappling partnership. Sappling comprises five developing Housing Associations and Groups operating in Hampshire, Surrey & West Sussex. It has been highly successful in delivering a significant development programme with substantial Social Housing Grant allocations and establishing a procurement consortium to maximise cost efficiencies.

Our customers are at the heart of all we do. We ensure their involvement and opinion at all levels including 5 resident Board members who help shape our future direction, services and performance. Our recent survey showed that customer satisfaction continues to increase in most areas and also indicated key issues on which our customers would like us to focus. We are taking action to address all of these.

## Financial Performance

### Operating Results

Sentinel's group operating surplus of £9,788,000 represents a 3.3% improvement over 2007 (£9,471,000). This improvement was mainly due to growth in rental income with close control over expenditure.

Our group net surplus of £5,242,000 was 10.5% below 2007 (£5,854,000) mainly due to:-

- the Board's decision to accelerate progress towards 100% Decent Homes compliance through a £745,000 increase in expenditure on improvements to our older homes.
- lower surplus on asset disposals (including right to buy) where 2007 was unusually high due to disposal of our student accommodation.
- higher interest charges due to marginally higher interest rates and increased borrowings to fund growth.

## Report of the Board (continued)

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### Assets

The value of our housing properties at 31 March 2008 was £384m. This is based on a full valuation by Drivers Jonas at 31 March 2007 adjusted for additions at cost and value of disposals.

This valuation is £254m above the depreciated cost included in the balance sheet.

### Funding

We renegotiated our loan facility in December 2007 to establish new facilities of £200m available for 30 years. At the year end £88.2m of this remains undrawn and therefore available to fund future growth. We use our 30 year Business Plan to ensure that we have financial capacity to service the loans to finance planned growth.

### Rents

Sentinel's policy is to set rent at target levels plus 5%. Where existing rents are not in line with this they are adjusted annually by the change in the retail price index as notified by the Housing Corporation plus  $\frac{1}{2}\%$  plus or minus £104 per annum. Newly acquired, developed and re-let properties are let at target rent plus 5%.

### Right to Buy or Acquire and Social Homebuy

Tenants who transferred from Hart and Basingstoke councils have a preserved right to buy their homes. Those who became tenants since transfer do not have the right to buy but may have the right to acquire their home if it was funded by Social Housing Grant since 1 April 1997. During the year a total of 5 properties were sold under the right to buy (7 in 2006/07). The maximum right to buy discount for tenants is £38,000 apart from the Hart District Council area where it is £16,000.

During the year we also completed our first disposals under the Social Homebuy scheme with 4 outright sales plus 1 part sale.

### Maintenance and Asset Management

The Association has an asset management strategy in place in order to plan maintenance works (major repairs) and takes into account the environment, neighbourhoods and the condition of its properties.

Housing properties are well maintained with 96% meeting Decent Homes Standard at the year end. Sentinel carries out a significant cyclical maintenance programme through a range of specialist contractors to ensure that all regular maintenance works are carried out as necessary, including statutory safety checks and servicing.

Sentinel currently has a substantial annual programme of major repair and refurbishment works, which are planned on the basis of stock condition surveys and Decent Homes compliance. 2008 expenditure under this programme totalled £6.2m (£5.4m 2007). This programme is also aimed at reducing the future level of repairs, increasing energy efficiency ratings and achieving compliance with the Decent Homes Standard by 2010.

## Report of the Board (continued)

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### Governance

#### The Board

The Board Members who served between the date of the last Report and this are listed below:

	Charles Kaye, Chairman	
	Patrick Symington, Vice Chairman	
**	William Wallis,	- to 26 March 2008
**	Richard Wylie,	
	Dennis Battle	
	Derek Childs	
	Brian Etheridge	
	Paul Frankum	
	William Hall	
	Lynda Hance	
	Kathy Hine	
	Sheila Jenkins	
**	Julian Macro	
	Jane Cooke	- appointed 24 April 2008
	Robert Barton	- appointed 24 April 2008
	Toby Rougier	- appointed 24 April 2008

Except where otherwise stated, all of the above members served throughout the year. Sheila Jenkins is also an employee of Sentinel Housing Association Limited.

\*\* These Board members also served as directors of Vestal during the year.

During the year the Board commenced a recruitment process designed to ensure continuity over the next 3 years when several members including the Chair are due to retire under the Rules. This process included obtaining permission from the Housing Corporation to expand the Board up to 16 during the transition period.

#### Committees

There are three committees of the Sentinel Board:

- Audit Committee
- Remuneration and Nominations Committee
- Policy Committee

#### Executive

At 31 March 2008 Sentinel's Executive was as follows:

Martin Nurse	BSc, DMS, MCMI.	- Chief Executive
Val Bagnall	BA, MBA	- Business Director
Lionel Haynes	BSc, FCA, MBA.	- Finance Director

Members of the Executive do not hold any interest in the share capital of the Association. They act as executives under authority delegated by the Board. Val Bagnall is also a director of Vestal Developments Limited.

## Report of the Board (continued)

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### Governance (continued)

#### Code of Governance

The Association has adopted the principal recommendations contained in the National Housing Federation's Code of Governance published in 2004.

#### Statement of Board's Responsibilities

As a Registered Social Landlord, the Association is legally required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the surplus or deficit for that period. In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice: Accounting by RSLs updated in May 2005.

The Board has general responsibility for instituting adequate systems of internal control and for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### Statement on Internal Controls

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

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the principles set out in the Housing Corporation's circular 07/07: internal controls assurance.

## Report of the Board (continued)

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### Governance (continued)

#### Statement on Internal Controls (continued)

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

- Identification and evaluation of key risks

The Board has established a strategic risk map based on the corporate plan which is reviewed in depth annually. Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. A Risk Panel, which consists of a cross-section of staff, meets regularly with the purpose of embedding a culture of risk management into day-to-day operations by proactively co-ordinating the process of risk evaluation, management and control across the Group. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive regularly considers and receives reports on significant development risks facing the Group through the Development Policy and Evaluation Group. The Chief Executive is responsible for reporting any significant changes affecting key risks to the Board.

- Monitoring and corrective action

A process of control, self-assessment and management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements or delivery of our services.

- Environment and control procedures

The Board reviews the Group's Corporate Plan each year. The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, computer security, development, health and safety, data and asset protection and fraud prevention, detection and reporting.

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and forecasts for the remainder of the financial year and for subsequent years. The executive directors review these in detail and quarterly management accounts are considered by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the executive directors and report regularly to the Audit Committee.

The Internal Audit service is provided by an independent firm and is based on a risk-based three-year strategic plan. Internal audit work is related to the Group's risk map. The Audit Committee receives an annual report from the internal auditor.

## Report of the Board (continued)

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### Governance (continued)

#### Statement on Internal Controls (continued)

The Audit Committee considers internal control and risk at each of its meetings during the year. The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board, which the Board has received.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the approval of the annual report and accounts.

#### Fraud

The Board approved an updated policy on fraud in April 2007. The policy provides clear guidance on:-

- the responsibility of all employees and Board members to report any suspected fraud and provides clear channels and support to enable this
- the disciplinary actions that will be taken in the event of fraud and
- the intention to recover any losses incurred as a result of fraud.

The Audit Committee work closely with the Internal Auditor to minimise the opportunities for fraud to occur. A Fraud Register is maintained and regularly reviewed by the Audit Committee who in turn report to the Board. To date there have been no significant issues recorded in this Register.

#### Employees

Information on employees is set out in note 5 to the financial statements. Our employment policies are aimed at ensuring we have sufficient, well trained staff with competitive salaries and excellent benefits. The Association is an equal opportunities employer.

The Association's policy is to take positive steps in line with the requirements of Equal Opportunities legislation and the Disability Discrimination Act to ensure that the best candidate for any vacant post is selected. When advertising for staff the Association describes itself as an equal opportunities employer and invites applications from all members of the community. The Association's premises are accessible to people with disabilities.

The health and safety of all staff is of great importance to the Association and its health and safety policy is regularly reviewed to ensure that the Association complies with all relevant legislation and best practice.

Employees are encouraged to be actively involved in the Association's operations, policies and performance. This is mainly through team meetings, briefing meetings and by means of the intranet. This has been recognised externally with the Investors in People award.

#### Auditors

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

#### Charles Kaye

Chairman, on behalf of the Board

## Operating & Financial Review

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### Overview of 2007/8

This year continued to build on the successes of 2006/7. Our main focuses were:-

- Customer service and involvement.
- Increased investment in growth to complete 238 new homes
- Commencing 2 major regeneration projects
- Increased investment to reduce non-decent homes by 4% and extend the rolling programme of upgrades to ensure other properties continue to meet the standard.
- Establishing loan facilities to fund our growth programme.

### Key Achievements in the Year

#### Staff

We continue to develop the resources and services for our staff. Highlights of 2007/8 include:-

- Introduction of both CIH Level 3 and NVQ awards in housing which have been very well received and supported.
- One third of all vacancies filled through internal promotion.
- Increased employee satisfaction demonstrated by high retention levels (85%) and low sickness and absenteeism (20% better than national average for housing associations - *Source CIPD Survey 2007*)

#### Customer & Neighbourhood Services

Performance in 2007/8 was very strong with wide ranging achievements most notably:-

- Income management where our intensive approach combining debt and financial advice with enforcement has continued to control rent arrears. This is balanced by providing more help for residents in financial difficulties including closer liaison with Citizens' Advice and holding interviews to provide a last chance to address arrears before eviction.
- Complaints management where we seek to learn from all issues. Consequently we are achieving high customers satisfaction both with our complaints process and results.
- Reshaping our resident involvement with the launch of Sentinel Tenants' and Residents' Association (STARA). This will ensure services are discussed with one voice across all our areas. Local issues will be promoted through Neighbourhood Panels who will also nominate members of STARA.
- Introduction of the Community Chest. This is a segment of the annual budget in which the above resident groups participate to determine priorities for expenditure.
- Choice Based Lettings introduced in the Hart and Rushmoor districts as part of our work with the relevant local authorities. 169 new lettings were made in this way reducing the void period and increasing customer choice.

## Operating & Financial Review (continued)

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- Financial inclusion where we have:-
  - Launched access to Basic Bank accounts in partnership with Barclays Bank.
  - Initiated the establishment of a branch of Hampshire Savers Credit Union in Basingstoke working with Basingstoke & Deane Borough Council and several other housing associations.
  - Applied pressure to energy suppliers to amend tariffs for social housing residents.
- Expanded our very successful 'Get With' youth summer activity programme with more than 900 local children — up from 500 three years ago — taking part in more than 30 activities. As a result, Hampshire police recorded a fall of one third in reported criminal damage in Hart.

### Older Persons

We continued our redevelopment of the older sheltered housing bedsit units in Hart with:-

- Completion of the 16 flat extension to Rosefield Court in Hartley Wintney.
- Bringing forward plans for a new major scheme of around 60 mainly 2 bedroom flats to replace the bedsit bungalows at Campbell Close in Fleet. This project has obtained Housing Corporation grant funding in the 2008-11 allocation.

Our CommuniCare service has also continued to grow having taken over provision of the alarm service to 400 customers in the Rushmoor area previously supplied by Pavilion Housing Association contract. At the end of the year we supplied our alarm monitoring service to 7,500 customers.

### Performance

The Board and senior management closely monitor performance. Key achievements in the year include:

- Delivery of over £700,000 of cost savings across Sentinel's operations. As in previous years, these are re-invested into resident services, maintaining our assets and developing new homes.
- Steady improvement in most performance indicators with a trend developing of moving into the top quartile of similar housing associations in the South East.
- Three service reviews undertaken (Responsive Repairs, Older Persons and Development) to improve service delivery and capacity as well as value for money.
- Consistently high Quality Housing Services "Excellence in Service" scores.

### Performance Indicators

The following indicators are reviewed quarterly by the Board. Each year the targets are reviewed to focus our drive for continuous improvement in key service areas. Where performance is not to target action plans are put in place and monitored closely.

## Operating & Financial Review (continued)

<b>Performance indicator</b>	<b>2007/08 Actual</b>	2007/08 Target	2006/07 Actual
Emergency repairs completed within target (1 day)	<b>99.5%</b>	99.3%	99.7%
Urgent repairs completed within target (7 days)	<b>99.1%</b>	97.2%	98.8%
Routine repairs completed within target (28 days)	<b>98.7%</b>	97.0%	98.3%
Repairs completed right first time	<b>99.4%</b>	95.0%	95.0%
Number of voids (general needs)	<b>28</b>	32	28
Current arrears	<b>3.5%</b>	2.8%	3.4%
Total arrears	<b>4.4%</b>	3.6%	4.0%
Average re-let time (general needs) in days	<b>27</b>	21	26
Void rent lost (sheltered)	<b>4.4%</b>	2.0%	6.7%
Satisfaction with anti-social behaviour complaints process	<b>83%</b>	85%	86%
Satisfaction with anti-social behaviour complaints outcome	<b>84%</b>	80%	83%
Tenant satisfaction with quality of responsive repairs work	<b>96%</b>	95%	95%
Satisfaction with complaint process	<b>88%</b>	85%	89%
Satisfaction with complaint outcome	<b>87%</b>	85%	80%
Homes completed	<b>238</b>	200	133
Sales of low cost homes within 3 months	<b>97%</b>	100%	100%
Homes achieving Decent Homes Standard	<b>95.6%</b>	94.5%	92%
Average SAP (energy efficiency) rating	<b>72</b>	71	70
Kitchen refurbishments	<b>296</b>	275	-
Bathroom refurbishments	<b>311</b>	272	-
Net operating cost per unit	<b>£3,072</b>	£3,000	£2,972

## Operating & Financial Review (continued)

### Investment to provide better homes

We nearly doubled the number of new homes built in the year to March, from 133 in 2006-07 to 238. The programme included the completion of the first phase at Bishops Green, Newbury, provision of 14 new homes for shared ownership at Fern Place, Farnborough, and completion of 100 new apartments for rent and shared ownership at Houndmills, Basingstoke. This last scheme is built by a "pod" design that enabled accelerated erection of the blocks.

Our shared ownership programme was particularly successful, with 103 homes sold in the year, of which 95% sold off-plan. Two thirds of sales completed in the final quarter, when market conditions took a sharp downturn. But shared ownership remains popular in north Hampshire.

As lead partner of Sappling Housing Partnership, we oversaw the delivery of one of the south's largest affordable housing programmes under the 2006/8 Housing Corporation bid round. Our own performance under this programme was particularly strong. Sappling's performance and ours are set out below:-

	<u>Out turn</u>	<u>Performance against target</u>		<u>Quartile</u>
		<u>Opening</u>	<u>Year end</u>	
<b><u>Sappling Performance</u></b>				
Units Completed	715	171%	125%	1
Grant claimed	£34.5m	100%	N/A	1
<b><u>Sentinel Performance</u></b>				
Units Completed	198	233%	N/A	1
Grant claimed	£11.8m	289%	N/A	1

The Sappling Social Housing Grant allocation for the 2008/11 programme totals £35m. We expect to obtain substantial additional allocations over this period through the newly introduced Continuous Market Engagement of initially the Housing Corporation then the Homes & Communities Agency as it takes up investment responsibility.

### Capital Structure and Treasury Policy

The Board approved a new Treasury Policy during the year. The key objective remains the management of risk while:-

- Ensuring adequate cash resources to meet financial obligations as they fall due.
- Keeping the cost of borrowing to a minimum consistent with the need to ensure the Association's financial stability in terms of movements in inflation and interest rates, loan repayment obligations, security requirements and other terms and conditions agreed with lenders.
- Optimising the return on investments whilst ensuring adequate protection of the capital sum invested.
- Minimising cash balances on hand.

Cash flow forecasts are regularly produced, updated and monitored in the short, medium and long term in order to ensure that each part of the Association will have adequate cash resources for its needs.

## **Operating & Financial Review (continued)**

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### **Capital Structure and Treasury Policy (continued)**

The Association's treasury policy requires a mix of loans at fixed and floating interest rates. At 31 March 2008, fixed rate borrowings represented 53.7% of all borrowings and were fixed with maturity dates ranging from one to five years.

In December 2007 we successfully completed a refinancing and extension of our loan facilities with our existing lenders in a syndicate led by Halifax Bank of Scotland plc with Nationwide Building Society and Barclays Bank plc. The new 30 year facility is for £200m of which £40m is on a revolving basis. At the same time we transferred our commercial banking to Barclays plc. Our new arrangements provide for an additional short term overdraft of £2m.

## Report of the Auditors

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# Nexia Smith & Williamson

### Independent auditors' report to the members of Sentinel Housing Association Limited

We have audited the Group and Association accounts ("the accounts") of Sentinel Housing Association Limited for the year ended 31 March 2008 which comprise the Income and Expenditure Accounts, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 29. These accounts have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of the Board and auditors

As described on page 4 the Association's board are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards and the relevant Statement of Recommended Practice.

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

We report to you our opinion as to whether the accounts 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. We also report to you if, in our opinion, the Board Report is not consistent with the accounts, if the Association has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the Report of the Board and the Operating and Financial Review and consider the implications for our report if we become aware of any apparent misstatements within them.

### Basis of audit opinion

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

### Opinion

In our opinion the accounts:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2008 and of their surplus for the year then ended; and
- 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.

**Nexia Smith & Williamson**  
Chartered Accountants  
Registered Auditors  
Date

25 Moorgate  
London  
EC2R 6AY

## Income and Expenditure Account

as at 31 March 2008

	Notes	Group		Association	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
<b>Turnover</b>	2	<b>34,880</b>	<b>35,743</b>	<b>34,880</b>	<b>35,743</b>
Cost of sales	2	(1,865)	(4,411)	(1,865)	(4,411)
Operating costs	2	(23,227)	(21,861)	(23,168)	(21,824)
<b>Operating surplus</b>	2	<b>9,788</b>	<b>9,471</b>	<b>9,847</b>	<b>9,508</b>
Surplus on disposal of property	6	1,131	1,272	1,131	1,272
		<b>10,919</b>	<b>10,743</b>	<b>10,978</b>	<b>10,780</b>
Interest receivable	7	17	49	248	242
Interest payable	8	(5,680)	(4,938)	(5,911)	(5,131)
Gift aid from subsidiary		-	-	761	-
<b>Surplus on ordinary activities before taxation</b>	3	<b>5,256</b>	<b>5,854</b>	<b>6,076</b>	<b>5,891</b>
Tax charge	9	(14)	-	-	-
<b>Surplus for the year after taxation</b>	19	<b>5,242</b>	<b>5,854</b>	<b>6,076</b>	<b>5,891</b>

All of the Group and Association's activities relate to continuing operations.

## Statement of recognised surpluses and deficits

as at 31 March 2008

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Surplus for the year	5,242	5,854	6,076	5,891
Actuarial gain	2,380	-	2,380	-
<b>Total recognised surplus for year</b>	<b>7,622</b>	<b>5,854</b>	<b>8,456</b>	<b>5,891</b>

## Group Balance Sheet

as at 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Housing properties:	10				
Depreciated cost		230,439		205,050	
Social housing grant		<u>(77,488)</u>		<u>(64,163)</u>	
			152,951		140,887
Investments	11				
Loans		5,420		5,611	
Grant		<u>(3,960)</u>		<u>(4,228)</u>	
			1,460		1,383
Other fixed assets	12		3,560		3,517
			<u>157,971</u>		<u>145,787</u>
<b>Current assets</b>					
Stock and work in progress	13	3,729		3,148	
Debtors	14	2,195		1,798	
Cash at bank and in hand	15	<u>1,445</u>		<u>618</u>	
		7,369		5,564	
<b>Creditors:</b> Amounts falling due within one year	16	<u>(8,117)</u>		<u>(10,339)</u>	
<b>Net current liabilities</b>			(748)		(4,775)
<b>Total assets less current liabilities</b>			<u>157,223</u>		<u>141,012</u>
Creditors: Amounts falling due in more than one year	17		112,853		101,994
Pension liability	27		1,120		3,390
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		43,250		35,628
			<u>157,223</u>		<u>141,012</u>

The financial statements were approved by the Board on 26 June 2008 and were signed on its behalf by:

Chairman

Vice Chairman

Secretary

## Association Balance Sheet

as at 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Housing properties:	10				
Depreciated cost		231,344		205,397	
Social housing grant		<u>(77,488)</u>		<u>(64,163)</u>	
			153,856		141,234
Investments	11				
Loans		5,420		5,611	
Grant		<u>(3,960)</u>		<u>(4,228)</u>	
			1,460		1,383
Other fixed assets	12		3,560		3,517
			<u>158,876</u>		<u>146,134</u>
<b>Current assets</b>					
Stock and work in progress	13	3,729		3,148	
Debtors	14	2,162		1,798	
Cash at bank and in hand	15	<u>1,418</u>		<u>611</u>	
		7,309		5,557	
<b>Creditors:</b> Amounts falling due within one year	16	<u>(8,089)</u>		<u>(10,640)</u>	
<b>Net current liabilities</b>			(780)		(5,083)
<b>Total assets less current liabilities</b>			<u>158,096</u>		<u>141,051</u>
Creditors: Amounts falling due in more than one year	17		112,853		101,994
Pension liability	27		1,120		3,390
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		44,123		35,667
			<u>158,096</u>		<u>141,051</u>

The financial statements were approved by the Board on 26 June 2008 and were signed on its behalf by:

Chairman

Vice Chairman

Secretary

## Group Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	24		8,204		11,412
<b>Returns on investments and servicing of finance</b>					
Interest received		17		242	
Interest paid		<u>(6,473)</u>		<u>(5,095)</u>	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(6,456)		(4,853)
<b>Taxation</b>			-		-
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of housing properties		(27,774)		(12,976)	
Purchase of other tangible fixed assets		(320)		(220)	
Proceeds from sale of other fixed assets		2,829		3,628	
Social housing grant received		13,153		9,013	
Loans repaid by/ (paid to) part equity owners		191		(885)	
Grants received for starter home initiative		-		928	
Payments to local authorities on the sale of housing properties		-		(276)	
<b>Net cash outflow from capital expenditure and financial investment</b>			(11,921)		(788)
<b>Management of liquid resources</b>					
Increase in cash not available at 24 hour call					2,000
<b>Net cash (outflow)/ inflow before financing</b>			(10,173)		7,771
Loan advances received		16,000		4,500	
Loan principal repayments		<u>(5,000)</u>		<u>(12,250)</u>	
<b>Net cash inflow/(outflow) from financing</b>			11,000		(7,750)
<b>Increase in cash in the year</b>	25		827		21

## **Notes (forming part of the Financial Statements)**

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### **1 Accounting Policies**

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

#### ***Basis of Preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Industrial and Provident Societies Acts 1965 to 2002, and comply with Accounting Requirements for Registered Social Landlords General Determination 2006.

#### ***Group Structure and Basis of Preparation***

The Group's financial statements incorporate the financial statements of the Association, Sentinel Housing Association Limited, and its subsidiary, Vestal Developments Limited. Both Group members' results are presented as operations under common ownership and control.

#### ***Taxation***

Sentinel Housing Association Limited is a charitable organisation for the purposes of corporation tax. Vestal Developments Limited is non-charitable and bears UK corporation tax.

#### ***Turnover***

Turnover represents rental income and service charges receivable, Supporting People income, fees and grants from local authorities and The Housing Corporation and income receivable from other sources. Rents are mostly charged weekly but adjustment is made through a rent equalisation account to charge a full year's rent each year. Turnover also includes income from property sales through the 'Homebuy' scheme.

#### ***Sale of Properties***

Sales of housing properties are recognised at the date of completion of each property sold.

The surplus or deficit on sales of housing accommodation under the right to buy takes into account any liabilities under Right to Buy sharing agreements with local authorities, the historical cost of the property and any associated sales costs.

Sales of housing accommodation under the right to acquire are credited to the disposal proceeds fund in accordance with the General Determination 1997. This will be utilised to fund future housing programmes.

**Notes (forming part of the Financial Statements)**  
**(continued)**

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**1 Accounting Policies (continued)**

***Part-equity Sales***

The Association operates its own 'Homebuy' scheme to facilitate the relocation of some homeowners from estates due to be redeveloped. Under the scheme, the owners are typically able to purchase some 70% of a new home, with the Association retaining the balance of the equity. The Association's share of equity is based on the agreed percentage of the full purchase price and is included in fixed asset investments.

Where a Homebuy scheme is linked to a social housing scheme, surpluses made on the Homebuy sale are credited to Housing Properties and recognized as a subsidy to that scheme rather than being taken to the Income and Expenditure Account.

***Starter Home Initiative***

The Association received government grant through The Housing Corporation to enable keyworkers to purchase a home. The loan is included in fixed asset investments at cost.

***Freehold and Long Leasehold Housing Properties***

Completed housing properties are included in fixed assets at historical cost. The development cost of housing properties includes the cost of acquiring land and buildings, the valuation of contracted works completed to date and development overhead costs and interest charges incurred during the development period which are directly attributable to individual development schemes. Housing properties in the course of construction are stated at cost. Land donated or transferred at a sub-market price for development is included at its full value at the date of acquisition.

All costs relating to capital expenditure incurred in the year are included in the financial statements at gross value before retentions.

Capital expenditure on schemes that are aborted is charged to the Income and Expenditure Account in the year in which it is recognised that the schemes will not be developed to completion.

The carrying value of properties is the lower of depreciated cost after deducting Social Housing Grant or net realisable value. In calculating net realisable value account is taken of future use value especially for our land bank.

***Capitalisation of Interest***

Interest on loans financing development is capitalised up to the date on which practical completion occurs.

***Capitalisation of Development Overheads***

Development overhead costs that are directly attributable to individual schemes are capitalised to housing properties in the course of construction up to the date of practical completion.

***Social Housing Grant***

Social Housing Grant (SHG) is received from local authorities and the Housing Corporation to subsidise the cost of housing properties. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability.

**Notes (forming part of the Financial Statements)**  
**(continued)**

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**1 Accounting Policies (continued)**

***Depreciation***

*Housing Properties*

Depreciation is charged so as to write down the cost of freehold housing properties, other than freehold land, to their estimated residual value on a straight-line basis over their expected useful economic lives, which is 100 years.

Properties held on long leases are depreciated over 100 years or the unexpired terms of the lease if shorter.

*Other Fixed Assets*

Depreciation on other fixed assets is provided for on the following straight line basis:

Freehold offices and Oakridge Shops	50 years
Other fixed assets	Between 3 and 15 years

***Impairment of Housing Properties***

Impairment reviews are carried out annually as the useful economic lives of housing properties exceed 50 years. Impairments arising from a major reduction in the service potential are charged to the income and expenditure account to the extent that the carrying value exceeds the recoverable amount."

***Regeneration Schemes***

The Association is engaged in significant regeneration schemes, which involve the demolition and redevelopment of houses and shops and the building of a community centre. The net book value of any properties or other assets acquired prior to the start of the regeneration scheme is written off to the income and expenditure account when the asset concerned is demolished. Similarly, an impairment provision is made for such properties or other assets planned to be demolished in the future to write down the net book value of those assets to their future recoverable amount prior to demolition. The cost of re-providing shops, the building of a community centre and other communal facilities is treated as part of the total cost of the scheme and is capitalised. To the extent that any part of the scheme is intended to be sold, the assets concerned are included within current assets at an amount equal to the expected net sale proceeds. The costs of any properties or other assets acquired after the start of the regeneration scheme, together with any demolition cost, are regarded as part of the cost of the scheme and are capitalised.

***Loans***

Loans are advances from the Association's funders under the terms of loan facilities. Loans in the balance sheet include the principal amounts due net of arrangement fees. These arrangement fees are amortised over the life of the relevant loan facility. Where loan facilities include stepped interest rate terms, the charge to income and expenditure is calculated at the average rate over the whole life of the agreement. The balance between the cash payment and Income and Expenditure charge is shown in creditors.

***Stock and Work in Progress***

Properties developed for sale are included in stock and work in progress either at cost or at an amount equal to the expected net sale proceeds.

**Notes (forming part of the Financial Statements)**  
**(continued)**

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**1 Accounting Policies (continued)**

***Improvements, Major Repairs, Cyclical Repairs and Day-to-day Repairs***

Expenditure incurred by way of improvement or major repair that increases the net rental income from housing properties or reduces maintenance cost on housing properties, from that applicable when first acquired, is capitalised into the cost of housing properties. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

***Finance and Operating Leases***

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Leasing agreements that transfer to the Association substantially all the benefits and risks of ownership of the assets are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown within creditors as an obligation under finance leases. The lease payments are treated as consisting of capital and interest elements: the capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account.

***Value Added Tax (VAT)***

The Association is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT that cannot be reclaimed, and expenditure is therefore shown inclusive of irrecoverable VAT.

***Bad and Doubtful Debts***

Provision is made against rent arrears of current and former tenants as well as miscellaneous debts to the extent that they are considered irrecoverable.

***Management Expenses***

Employee, administration and operating costs have been apportioned to the relevant section of the income and expenditure account on the basis of the costs of the staff and to the extent that they are engaged in each of the operations dealt with in the accounts.

***Sales of Shared Ownership Housing Accommodation***

The proceeds from first tranche sales of equity are netted against the costs of housing stock in the balance sheet. In instances where the sales proceeds for the first tranche are greater than cost, the excess of proceeds over cost is recognised in the Income and Expenditure Account within surpluses on sales of property. At completion of the second or any subsequent tranches of equity in a shared ownership property, any surplus or deficit resulting from that sale will be recorded in the Income and Expenditure Account.

***Pensions***

The pension costs relating to the defined benefit scheme are accounted for using FRS17. Current service costs and net financial returns are included in the income and expenditure account in the period to which they relate. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

**Notes (forming part of the Financial Statements)**  
(continued)

**2(a)(i) Particulars of Group Turnover and Operating Surplus / (Deficit) Analysis**

	Year ended 31 March 2008				Year ended 31 March 2007			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings	31,614	-	(21,313)	10,301	29,665	-	(20,184)	9,481
<b><u>Other Social housing activities</u></b>								
CommuniCare service	438	-	(417)	21	314	-	(377)	(63)
Homebuy sales	2,010	(1,865)	-	145	4,795	(4,411)	-	384
Supporting people contract income	-	-	-	-	184	-	(220)	(36)
Development services	-	-	(816)	(816)	-	-	(446)	(446)
<b><u>Non-social housing activities</u></b>								
Lettings	259	-	(261)	(2)	290	-	(249)	41
Other	559	-	(420)	139	495	-	(385)	110
<b>Total</b>	<b>34,880</b>	<b>(1,865)</b>	<b>(23,227)</b>	<b>9,788</b>	<b>35,743</b>	<b>(4,411)</b>	<b>(21,861)</b>	<b>9,471</b>

**Notes (forming part of the Financial Statements)**  
(continued)

2(a)(i) Particulars of Association Turnover and Operating Surplus / (Deficit) Analysis	Year ended 31 March 2008				Year ended 31 March 2007			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings	31,614	-	(21,313)	10,301	29,665	-	(20,184)	9,481
<b><u>Other Social housing activities</u></b>								
CommuniCare service	438	-	(417)	21	314	-	(377)	(63)
Homebuy sales	2,010	(1,865)	-	145	4,795	(4,411)	-	384
Supporting people contract income	-	-	-	-	184	-	(220)	(36)
Development services	-	-	(757)	(757)	-	-	(409)	(409)
<b><u>Non-social housing activities</u></b>								
Lettings	259	-	(261)	(2)	290	-	(249)	41
Other	559	-	(420)	139	495	-	(385)	110
<b>Total</b>	<b>34,880</b>	<b>(1,865)</b>	<b>(23,168)</b>	<b>9,847</b>	<b>35,743</b>	<b>(4,411)</b>	<b>(21,824)</b>	<b>9,508</b>

**Notes (forming part of the Financial Statements)**  
(continued)

2(b) Particulars of Group & Association Income and Expenditure from Lettings

	Year ending 31 March 2008					
	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	Shared Equity £'000	Garages £'000	Total £'000
<b>Turnover from letting activities</b>						
Rents receivable net of identifiable service charges	28,091	173	728	-	1,067	30,059
Charges for support services	420	-	-	-	-	420
Service charge income	933	39	-	45	64	1,081
Rental income net of voids	29,444	212	728	45	1,131	31,560
Housing Corporation revenue grants	-	-	-	54	-	54
Turnover from letting activities	29,444	212	728	99	1,131	31,614
<b>Expenditure on letting activities</b>						
Management Services	(5,342)	(184)	(413)	(32)	(40)	(6,011)
Support	(1,417)	(15)	(84)	(47)	-	(1,563)
Routine Maintenance	(656)	-	-	-	-	(656)
Planned Maintenance	(3,656)	(25)	(18)	-	(111)	(3,810)
Major repairs expenditure	(1,531)	(4)	(2)	-	-	(1,537)
Bad debts	(6,172)	(4)	(8)	-	-	(6,184)
Depreciation - housing properties	(132)	(15)	(8)	-	-	(155)
Impairment - housing properties	(844)	(4)	(35)	-	-	(883)
	(514)	-	-	-	-	(514)
Operating costs on lettings	(20,264)	(251)	(568)	(79)	(151)	(21,313)
Operating surplus / (deficit) on social housing lettings	9,180	(39)	160	20	980	10,301
Losses from voids	(268)	(19)	(13)	-	(97)	(397)

**Notes (forming part of the Financial Statements)**  
(continued)

2(b) Particulars of Group & Association Income and Expenditure from Lettings

	General Needs £'000	Supported Housing £'000	Year ending 31 March 2007 Shared Ownership £'000	Shared Equity £'000	Garages £'000	Total £'000
<b>Turnover from letting activities</b>						
Rents receivable net of identifiable service charges	26,566	154	553	-	1,019	28,292
Charges for support services	443	-	-	-	-	443
Service charge income	742	28	59	46	-	875
Rental income net of voids	27,751	182	612	46	1,019	29,610
Housing Corporation revenue grants	-	55	-	-	-	55
Turnover from letting activities	27,751	237	612	46	1,019	29,665
<b>Expenditure on letting activities</b>						
Management Services	(5,025)	(210)	(436)	(95)	-	(5,766)
Support	(1,200)	(22)	(50)	(32)	-	(1,304)
Routine maintenance	(619)	-	-	-	-	(619)
Planned maintenance	(3,787)	(28)	(20)	-	(51)	(3,886)
Major repairs expenditure	(1,543)	(4)	(2)	-	-	(1,549)
Bad debts	(4,892)	(538)	(9)	-	-	(5,439)
Depreciation – housing properties	(237)	(6)	(9)	-	-	(252)
Impairment – housing properties	(841)	(2)	-	-	-	(843)
	(526)	-	-	-	-	(526)
Operating costs on lettings	(18,670)	(810)	(526)	(127)	(51)	(20,184)
Operating surplus / (deficit) on social housing lettings	9,081	(573)	86	(81)	968	9,481
Losses from voids	(322)	(53)	(272)	-	(127)	(774)

**Notes (forming part of the Financial Statements)**  
 (continued)

**2(c) Particulars of Income from Non-social Housing Activities**

	<b>Group and Association</b>	
	<b>2008</b>	<b>2007</b>
	£'000	£'000
Market renting	187	179
Student accommodation – discontinued 2007	-	33
Commercial rents	179	184
Leasehold service charges	72	78
Homecare service	301	234
Other	79	77
	<u>818</u>	<u>785</u>

**3 Surplus on Ordinary Activities before Taxation**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	£'000	£'000	£'000	£'000
<i>The surplus on ordinary activities before taxation is stated after charging:</i>				
Depreciation of housing properties	883	843	883	843
Depreciation of other fixed assets	283	318	283	318
Auditors' remuneration:				
In their capacity as auditors	56	72	50	64
In respect of other services	7	6	7	6
Exceptional items:				
Impairment of housing properties	514	526	514	526
Operating lease rentals	<u>188</u>	<u>188</u>	<u>188</u>	<u>188</u>

**4 Directors Emoluments – Group & Association**

	<b>2008</b>	<b>2007</b>
	£'000	£'000
Emoluments (including pension contributions and estimated monetary value of benefits in kind)	<u>337</u>	<u>308</u>

Emoluments (excluding pension contributions but including estimated monetary value of benefits in kind) include amounts in relation to the highest paid director of £102,951 for the Association in 2008 (2007: £98,452).

**Notes (forming part of the Financial Statements)**  
**(continued)**

**4 Directors Emoluments (continued)**

The pension contributions paid on behalf of the Chief Executive were £14,409 (2007: £11,426). The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms are applied.

The Chair of the Board received remuneration of £10,360 (2007: £10,000).

Other payments to Board Members were as shown below:

Dennis Battle, Derek Childs, Brian Etheridge, Paul Frankum, William Hall, Lynda Hance, Kathy Hine, Sheila Jenkins, Julian Macro, Patrick Symington, William Wallis and Richard Wylie, all at £4,144.

**5 Employee Benefits– Group & Association**

The average monthly number of full time equivalent persons employed during the year was:

	<b>2008</b>	<b>2007</b>
Management and administration	<b>155</b>	<b>150</b>
Wardens, caretakers and cleaners	<b>20</b>	<b>21</b>
	<u><b>175</b></u>	<u><b>171</b></u>

The actual number of employees during the year was:

	<b>2008</b>	<b>2007</b>
Management and administration	<b>185</b>	<b>176</b>
Wardens, caretakers and cleaners	<b>26</b>	<b>27</b>
	<u><b>211</b></u>	<u><b>203</b></u>

Staff costs of the above employees were:

	<b>2008</b>	<b>2007</b>
	£'000	£'000
Salaries and wages	<b>4,919</b>	<b>4,830</b>
Social security costs	<b>415</b>	<b>415</b>
Pension costs	<b>477</b>	<b>333</b>
	<u><b>5,811</b></u>	<u><b>5,578</b></u>

**6 Surplus on Disposal of Property– Group & Association**

	<b>2008</b>	<b>2007</b>
	£'000	£'000
Sales proceeds and allowances	<b>2,829</b>	<b>3,358</b>
Cost of sales	<b>(956)</b>	<b>(1,810)</b>
Repaid to local authorities	<b>-</b>	<b>(276)</b>
Transfer to disposal proceeds fund	<b>(742)</b>	<b>-</b>
	<u><b>1,131</b></u>	<u><b>1,272</b></u>

**Notes** (forming part of the Financial Statements)  
 (continued)

**7 Interest Receivable**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	£'000	£'000	£'000	£'000
Bank interest receivable	<u>17</u>	<u>49</u>	<u>248</u>	<u>242</u>

**8 Interest Payable**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans wholly repayable in more than five years	<b>6,538</b>	<b>6,099</b>	<b>6,538</b>	<b>6,099</b>
Less: Capitalised interest	<u>(908)</u>	<u>(1,191)</u>	<u>(677)</u>	<u>(998)</u>
	<b>5,630</b>	<b>4,908</b>	<b>5,861</b>	<b>5,101</b>
Finance charges relating to pensions	<u>50</u>	<u>30</u>	<u>50</u>	<u>30</u>
	<u><b>5,680</b></u>	<u><b>4,938</b></u>	<u><b>5,911</b></u>	<u><b>5,131</b></u>

**9 Taxation – Group & Association**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	£'000	£'000	£'000	£'000
<b>Analysis of charge in period:</b>				
UK corporation tax				
Current	<b>14</b>	-	-	-
	<u><b>14</b></u>	<u>-</u>	<u>-</u>	<u>-</u>

A reconciliation between the corporation tax charge for the year and the amount that would have been charged had all of the surplus been taxed at the standard rate of corporation tax in the UK has not been provided due to substantially all of the surpluses being derived from charitable entities which are not subject to corporation tax on surpluses derived from their charitable activities.

**Notes (forming part of the Financial Statements)**  
 (continued)

**10 Tangible Fixed Assets – Housing Properties (Group)**

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership	Total
	£'000	£'000	£'000	£'000
<u>Historical cost:</u>				
As at 1 April 2007	172,091	21,985	15,902	209,978
Transfers & reclassifications	(1,250)	(134)	1,034	(350)
Additions	822	35,084	37	35,943
Schemes completed in the year	9,902	(21,281)	11,379	-
Disposals	(305)	-	(8,502)	(8,807)
Impairment of housing stock	(514)	-	-	(514)
As at 31 March 2008	<u>180,746</u>	<u>35,654</u>	<u>19,850</u>	<u>236,250</u>
<u>Depreciation:</u>				
As at 1 April 2007	4,805	-	123	4,928
Charge for the year	812	-	71	883
Disposals	-	-	-	-
As at 31 March 2008	<u>5,617</u>	<u>-</u>	<u>194</u>	<u>5,811</u>
<u>Social housing grant:</u>				
As at 1 April 2005	52,017	5,272	6,874	64,163
Receivable in the year	521	13,208	-	13,729
Schemes completed in the year	5,719	(6,460)	741	-
Disposals	(42)	-	(362)	(404)
As at 31 March 2008	<u>58,215</u>	<u>12,020</u>	<u>7,253</u>	<u>77,488</u>
<u>Net book value</u>				
As at 31 March 2008	<u>116,914</u>	<u>23,634</u>	<u>12,403</u>	<u>152,951</u>
As at 31 March 2007	<u>115,269</u>	<u>16,713</u>	<u>8,905</u>	<u>140,887</u>

Housing properties are all held on freehold tenure except for 107, which are held on long leases (2007: 110).

Social Housing Grant (SHG) can only be retained as long as the property it is financing is used for social housing purposes. Should a property be sold, the SHG is either credited to a Recycled Capital Grant Fund, or included within a Disposal Proceeds Fund, both held by the Group, and may be recycled to another property. If either Fund is left unused for three years, the grant is repayable.

Cost of Group properties includes £4,421,000 (2007: £3,513,000) of interest capitalised. Interest capitalised during the year is disclosed in note 8. The capitalisation rate applied during the year was an average of 5.82% (2007: 5.54%).

The Group has a major repairs programme, of which £737,000 has been capitalised as improvements (2007: £470,000). In addition, £6,184,000 has been taken to the income and expenditure account as major repairs expenditure (2007: £5,439,000).

**Notes (forming part of the Financial Statements)**  
(continued)

**10 Tangible Fixed Assets – Housing Properties (Association)**

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership	Total
	£'000	£'000	£'000	£'000
<u>Historical cost:</u>				
As at 1 April 2007	172,091	22,332	15,902	210,325
Transfers & reclassifications	(1,250)	(134)	1,034	(350)
Additions	822	35,642	37	36,501
Schemes completed in the year	10,423	(22,186)	11,763	-
Disposals	(305)	-	(8,502)	(8,807)
Impairment of housing stock	(514)	-	-	(514)
As at 31 March 2008	<u>181,267</u>	<u>35,654</u>	<u>20,234</u>	<u>237,155</u>
<u>Depreciation:</u>				
As at 1 April 2007	4,805	-	123	4,928
Charge for the year	812	-	71	883
Disposals	-	-	-	-
As at 31 March 2008	<u>5,617</u>	<u>-</u>	<u>194</u>	<u>5,811</u>
<u>Social housing grant:</u>				
As at 1 April 2007	52,017	5,272	6,874	64,163
Receivable in the year	521	13,208	-	13,729
Schemes completed in the year	5,719	(6,460)	741	-
Disposals	(42)	-	(362)	(404)
As at 31 March 2008	<u>58,215</u>	<u>12,020</u>	<u>7,253</u>	<u>77,488</u>
<u>Net book value</u>				
As at 31 March 2008	<u>117,435</u>	<u>23,634</u>	<u>12,787</u>	<u>153,856</u>
As at 31 March 2007	<u>115,269</u>	<u>17,060</u>	<u>8,905</u>	<u>141,234</u>

Housing properties are all held on freehold tenure except for 107, which are held on long leases (2007: 110).

Social Housing Grant (SHG) can only be retained as long as the property it is financing is used for social housing purposes. Should a property be sold, the SHG is either credited to a Recycled Capital Grant Fund, or included within a Disposal Proceeds Fund, both held by the Association, and may be recycled to another property. If either Fund is left unused for three years, the grant is repayable.

Cost of Association properties includes £3,997,000 (2007: £3,320,000) of interest capitalised. The capitalisation rate applied during the year was an average of 5.82% (2007: 5.54%).

The Association has a major repairs programme, of which £737,000 has been capitalised as improvements (2007: £470,000). In addition, £6,184,000 has been taken to the income and expenditure account as major repairs expenditure (2007: £5,439,000).

**Notes (forming part of the Financial Statements)**  
**(continued)**

**10 Tangible Fixed Assets – Housing Properties (continued)**

Total accumulated Social Housing Grant received at 31 March 2008 (Group & Association):

	<b>2008</b>	<b>2007</b>
	£'000	£'000
Revenue grants	<b>270</b>	<b>270</b>
Capital grants	<b>81,349</b>	<b>70,764</b>
	<u><b>81,619</b></u>	<u><b>71,034</b></u>

**11 Fixed Asset Investments– Group & Association**

Fixed asset investments are loans made to enable people to purchase homes under the 'Homebuy' scheme and the 'Starter Home Initiative'.

	<b>Homebuy</b>	<b>Starter Home Initiative</b>	<b>Total</b>
	£'000	£'000	£'000
<u>Loans:</u>			
As at 1 April 2007	<b>4,998</b>	<b>613</b>	<b>5,611</b>
Additions	<b>486</b>	<b>-</b>	<b>486</b>
Repaid	<b>(555)</b>	<b>(122)</b>	<b>(677)</b>
As at 31 March 2008	<u><b>4,929</b></u>	<u><b>491</b></u>	<u><b>5,420</b></u>
<u>Grant:</u>			
As at 1 April 2007	<b>3,615</b>	<b>613</b>	<b>4,228</b>
Additions	<b>298</b>	<b>-</b>	<b>298</b>
Recycled	<b>(444)</b>	<b>(122)</b>	<b>(566)</b>
As at 31 March 2008	<u><b>3,469</b></u>	<u><b>491</b></u>	<u><b>3,960</b></u>
<u>Net book value:</u>			
As at 31 March 2008	<u><b>1,460</b></u>	<u><b>-</b></u>	<u><b>1,460</b></u>
As at 31 March 2007	<u><b>1,383</b></u>	<u><b>-</b></u>	<u><b>1,383</b></u>

**Notes (forming part of the Financial Statements)**  
 (continued)

**12 Tangible Fixed Assets - Other- Group & Association**

	Freehold Offices £'000	Oakridge shops £'000	Other £'000	Total £'000
<u>Cost:</u>				
As at 1 April 2007	1,753	1,528	4,509	7,790
Additions	-	-	326	326
Disposals	-	-	-	-
As at 31 March 2008	<u>1,753</u>	<u>1,528</u>	<u>4,835</u>	<u>8,116</u>
<u>Depreciation:</u>				
As at 1 April 2007	302	74	3,897	4,273
Charge for year	38	32	213	283
Elimination on Disposal	-	-	-	-
As at 31 March 2008	<u>340</u>	<u>106</u>	<u>4,110</u>	<u>4,556</u>
<u>Net book value:</u>				
As at 31 March 2008	<u>1,413</u>	<u>1,422</u>	<u>725</u>	<u>3,560</u>
As at 31 March 2007	<u>1,451</u>	<u>1,454</u>	<u>612</u>	<u>3,517</u>

**13 Stock and Work in Progress-Group and Association**

	2008 £'000	2007 £'000
Housing for sale	<u>3,729</u>	<u>3,148</u>

**14 Debtors: Amounts falling due within one year**

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Rent arrears	1,385	1,197	1,385	1,197
Less: provision for bad debts	<u>(392)</u>	<u>(334)</u>	<u>(392)</u>	<u>(334)</u>
	993	863	993	863
Other debtors and prepayments	1,202	935	1,169	935
	<u>2,195</u>	<u>1,798</u>	<u>2,162</u>	<u>1,798</u>

**15 Cash at bank and in hand**

Cash at bank includes an amount of £107,729 (2007: £61,821) held in trust on behalf of service charge payers as reserve fund contributions.

**Notes (forming part of the Financial Statements)**  
 (continued)

**16 Creditors: Amounts falling due within one year**

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank overdraft	48	-	48	-
Amounts owed to subsidiary undertakings	-	-	4	3,056
Trade creditors	938	3,313	938	1,366
Rents received in advance	495	539	495	539
Other creditors and accruals	6,454	6,428	6,436	5,620
Corporation tax	14	-	-	-
Starter home grant payable	168	59	168	59
	<u>8,117</u>	<u>10,339</u>	<u>8,089</u>	<u>10,640</u>

**17 Creditors: Amounts falling due after more than one year – Group & Association**

	2008	2007
	£'000	£'000
<b>Housing loans</b>		
As at 1 April 2007	100,800	108,550
Drawn during the year	16,000	4,500
Repaid during the year	(5,000)	(12,250)
<b>Total housing loans</b>	<u>111,800</u>	<u>100,800</u>
Less: Loan arrangement costs	(404)	-
	<u>111,396</u>	<u>100,800</u>
Recycled capital grant fund	695	993
Disposal proceeds fund	762	201
As at 31 March 2008	<u>112,853</u>	<u>101,994</u>

Housing loans represent advances made to Sentinel Housing Association Limited. The loans are secured by a charge on housing land and buildings. All loans are due for repayment after more than five years. Interest is payable on the loans at fixed rates between 4.75% and 6.66% (including margin) and at variable rates of 0.286% above LIBOR since 12 December 2007. Hitherto, variable rates were 0.45% above LIBOR.

	Disposal Proceeds Fund		Recycled Capital Grant Fund	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
As at 1 April 2007	201	-	993	-
Grant recycled	742	198	702	959
Interest accrued	28	3	69	34
Applied to new build	(209)	-	(1,069)	-
As at 31 March 2008	<u>762</u>	<u>201</u>	<u>695</u>	<u>993</u>

**Notes (forming part of the Financial Statements)**  
**(continued)**

**18 Group Share Capital – Non equity**

*Allotted, issued and fully paid*

	<b>2008</b>	<b>2007</b>
	£	£
As at 1 April 2007	51	90
Issued during the year	-	1
Cancelled during the year	(1)	(40)
As at 31 March 2008	<u>50</u>	<u>51</u>

These shares have limited rights. They carry no entitlement to dividend, are not repayable and do not participate in a winding up.

**19 Reserves**

**Revenue Reserve**

	<b>2008</b>	
	<b>Group</b>	<b>Association</b>
	£'000	£'000
Balance as at 1 April 2007	<b>35,628</b>	<b>35,667</b>
Surplus for the year after taxation	<b>5,242</b>	<b>6,076</b>
Actuarial gain on pension deficit	<b>2,380</b>	<b>2,380</b>
As at 31 March 2008	<u><b>43,250</b></u>	<u><b>44,123</b></u>

**20 Group Capital Commitments**

Capital commitments at the end of the financial year for which no provision has been made in these financial statements were as follows:

	<b>2008</b>	<b>2007</b>
	£'000	£'000
Capital expenditure that has been contracted for	<b>30,970</b>	<b>26,392</b>
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<b>12,850</b>	<b>28,664</b>
Total Capital Commitments	<u><b>43,820</b></u>	<u><b>55,056</b></u>

These commitments will be met by a combination of resources including Social Housing Grant £13m some of which has yet to be approved by the Housing Corporation. The balance will be covered by early tranche shared ownership sales of £6m with the remainder coming from net surpluses and agreed loans.

**Notes (forming part of the Financial Statements)**  
 (continued)

**21 Group Operating Leases**

Obligations under non-cancellable operating leases are as follows:

	2008		2007	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	-	5	-	3
Expiring between two to five years	165	17	165	20
	<u>165</u>	<u>22</u>	<u>165</u>	<u>23</u>

**22 Group Contingent liabilities**

The Group has not identified any significant contingent liabilities at the date of these accounts.

**23 Group Housing Stock**

	2008		2007	
	Under development Units	In Management Units	Under development Units	In Management Units
Rented social housing	297	6,801	283	6,668
Non social housing	-	25	-	25
Shared ownership	119	262	157	180
	<u>416</u>	<u>7,088</u>	<u>440</u>	<u>6,873</u>
Homebuy	3	132	7	132
	<u>419</u>	<u>7,220</u>	<u>447</u>	<u>7,005</u>

**24 Reconciliation of Group Operating Surplus to Net Cash Inflow**

	2008		2007	
	£'000	£'000	£'000	£'000
Operating surplus		9,788		9,471
Depreciation of housing properties	883		843	
Depreciation of other fixed assets	283		318	
Impairment of housing properties	514		526	
Pension costs under FRS17	60		-	
Loan arrangement fees	(404)		-	
(Increase) in debtors	(397)		(65)	
(Decrease)/Increase in creditors	(2,523)		319	
		<u>(1,584)</u>		<u>1,941</u>
		<u>8,204</u>		<u>11,412</u>

**Notes (forming part of the Financial Statements)**  
 (continued)

**25 Reconciliation of Group Net Cash Inflow to Movement in Net Debt**

	2008	2007
	£'000	£'000
Increase in cash in year	827	21
Decrease in liquid resources	-	(2,000)
Loans drawn during year	(16,000)	(4,500)
Loans repaid during year	5,000	12,250
Decrease in debt	<u>(10,173)</u>	<u>5,771</u>
Net debt at 1 April 2007	<u>(100,182)</u>	<u>(105,953)</u>
Net debt at 31 March 2008	<u>(110,355)</u>	<u>(100,182)</u>

**26 Analysis of Net Debt**

	1 April 2007 £'000	Cash Flows £'000	31 Mar 2008 £'000
Cash at bank and in hand / (overdrawn)	618	827	1,445
Current asset investments	-	-	-
Due after more than one year	(100,800)	(11,000)	(111,800)
	<u>(100,182)</u>	<u>(10,173)</u>	<u>(110,355)</u>

**27 Group Pension Arrangements**

**Hampshire County Council Pension Fund**

The disclosures below relate to the Hampshire County Council Pension Fund (the Fund) which is part of the Local Government Pension Scheme, and certain unfunded pension arrangements where indicated. Sentinel Housing Association participates in the Fund which provides defined benefits based on members' final pensionable salary.

In accordance with Financial Reporting Standard No.17 – Retirement Benefits (FRS 17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The latest triennial formal actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

**Notes (forming part of the Financial Statements)**  
 (continued)

**27 Group Pension Arrangements (continued)**

**Main financial assumptions at 31 March each year were as follows**

	% per annum				
	2008	2007	2006	2005	2004
Inflation	3.7	3.2	3.0	2.9	2.9
Rate of general long-term increase in salaries	5.2	4.7	4.5	4.4	4.4
Rate of increase to pensions in payment	3.7	3.2	3.0	2.9	2.9
Rate of increase to deferred pensions	3.7	3.2	3.0	2.9	2.9
Discount rate	6.8	5.3	4.9	5.3	5.4

We have been informed that the mid-market value of the assets of the Hampshire Country Council Pension Fund at 29 February 2008 was £2,934.4M. The assets as at 31 March 2008 have been estimated using index returns between 29 February 2008 and 31 March 2008. The asset values used as at the accounting date are set out below.

**Expected long term rates of return as at 31 March in each year were :-**

	% per annum				
	2008	2007	2006	2005	2004
Equities	7.6	7.7	7.3	7.7	7.7
Property	6.6	6.7	6.3	6.7	6.7
Government bonds	4.6	4.7	4.3	4.7	4.7
Corporate bonds	6.8	5.3	4.9	5.3	5.5
Other	6.0	5.6	4.6	4.8	4.2
<b>Total</b>	<b>6.7</b>	<b>6.9</b>	<b>6.5</b>	<b>6.9</b>	<b>6.9</b>

**Notes (forming part of the Financial Statements)**  
**(continued)**

**27 Group Pension Arrangements (continued)**

The estimated value of the funds at 31 March in each year were:-

	£ million				
	2008	2007	2006	2005	2004
Equities	1,807.6	1,940.2	1,874.5	1,463.3	1,344.7
Properties	168.0	130.9	106.4	84.8	70.8
Government bonds	775.6	597.2	549.1	470.8	407.6
Corporate bonds	-	77.0	-	-	-
Other	167.0	140.2	137.5	101.8	102.0
<b>Total</b>	<b><u>2,918.2</u></b>	<b><u>2,885.5</u></b>	<b><u>2,667.5</u></b>	<b><u>2,120.7</u></b>	<b><u>1,925.1</u></b>

**Funding Position at 31 March each year**

	£ million				
	2008	2007	2006	2005	2004
Share of assets	8.53	8.90	8.58	7.24	6.16
Estimated funded liabilities	9.65	12.29	11.92	10.81	10.08
(Deficit)	<u>(1.12)</u>	<u>(3.39)</u>	<u>(3.34)</u>	<u>(3.57)</u>	<u>(3.92)</u>

**Analysis of amounts charged to Operating Surplus for the year ending 31 March in each year:-**

	£ million				
	2008	2007	2006	2005	2004
Current service cost	0.08	0.09	0.12	0.13	0.14
Past service costs	0.04	0.08	-	-	-
<b>Total operating charge</b>	<b><u>0.12</u></b>	<b><u>0.17</u></b>	<b><u>0.12</u></b>	<b><u>0.13</u></b>	<b><u>0.14</u></b>

**Notes (forming part of the Financial Statements)**  
**(continued)**

**27 Group Pension Arrangements (continued)**

**Analysis of amount credited to other finance income for the year ending 31 March :-**

	£ million				
	2008	2007	2006	2005	2004
Expected return on pension scheme assets	0.59	0.55	0.49	0.42	0.35
Interest on pension scheme liabilities	(0.64)	(0.58)	(0.57)	(0.54)	(0.49)
Net return	<u>(0.05)</u>	<u>(0.03)</u>	<u>(0.08)</u>	<u>(0.12)</u>	<u>(0.14)</u>

**Analysis of amount recognised in Statement of Total Recognised Gains and Losses for each year ended 31 March:-**

	£ million				
	2008	2007	2006	2005	2004
Actual return less expected return on pension scheme assets	(0.34)	(0.01)	1.18	0.26	0.65
Experience gains and losses on the scheme liabilities	0.80	(0.03)	-	0.67	(0.01)
Changes in underlying assumptions	1.92	0.04	(0.83)	(0.41)	(0.51)
Total actuarial gain	<u>2.38</u>	<u>-</u>	<u>0.35</u>	<u>0.52</u>	<u>0.13</u>

**Analysis of movement in surplus during the year to 31 March in each year:-**

	£ million				
	2008	2007	2006	2005	2004
Deficit in scheme at beginning of the year	(3.39)	(3.34)	(3.57)	(3.92)	(3.87)
Total contributions	0.06	0.15	0.08	0.08	0.10
Current service cost	(0.08)	(0.09)	(0.12)	(0.13)	(0.14)
Past service costs	(0.04)	(0.08)	-	-	-
Other finance (costs) / income	(0.05)	(0.03)	(0.08)	(0.12)	(0.14)
Actuarial gain	2.38	-	0.35	0.52	0.13
Deficit in scheme at end of year	<u>(1.12)</u>	<u>(3.39)</u>	<u>3.34</u>	<u>(3.57)</u>	<u>(3.92)</u>

**Notes (forming part of the Financial Statements)**  
**(continued)**

**27 Group Pension arrangements (continued)**

**History of experienced gains and losses for the year ending 31 March in each year :-**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Difference between expected and actual return on scheme assets:					
▪ Amount (£ M)	(0.34)	(0.01)	1.18	0.26	0.65
▪ Percentage of scheme assets	(4.0%)	(0.1%)	13.8%	3.6%	10.6%
Experience gains (losses) on scheme liabilities:					
▪ Amount (£ M)	0.80	(0.03)	0.00	0.67	(0.01)
▪ Percentage of the present value of the scheme liabilities	8.3%	0.2%	0.0%	6.2%	-0.1%
Change in assumptions					
▪ Amount (£ M)	1.92	0.04	(0.83)	(0.41)	(0.51)
▪ Percentage of the present value of the scheme liabilities	19.9%	0.3%	(7.0%)	(3.8%)	(5.1%)
Total amount recognised in STRGL:					
▪ Amount (£ M)	2.38	0.00	0.35	0.52	0.13
▪ Percentage of the present value of the scheme liabilities	24.7%	0.0%	2.9%	4.8%	1.3%

Sentinel Housing Association Limited has adopted Financial Reporting Standard 17 "Retirement benefits" (FRS17). FRS17 requires its proportion of the assets and liabilities of the Hampshire County Council defined benefit pension fund to be recognised on the balance sheet. In addition, current service costs and net financial returns are included in the income and expenditure account in the period to which they relate. Actuarial gains and losses are included in the statement of total gains and losses.

**SHPS SCHEME**

Sentinel participates in the Social Housing Pension Scheme (SHPS) through both the Final Salary scheme and the Career Average Revalued Earnings (CARE) scheme. The former applies to employees who joined the scheme by 31 March 2007. All new employees are entitled to the CARE scheme.

Both schemes are funded and contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

**Notes (forming part of the Financial Statements)**  
**(continued)**

**27 Group Pension arrangements (continued)**

At the 31 March 2008 the following key statistics applied:-

Scheme	Contributions as % of salary			Participating employees at year end	
	Employee Average	Sentinel	Total	2008	2007
Final salary with 1/60 <sup>th</sup> benefit	7.9%	14.1%	22.0%	101	105
CARE with 1/60 <sup>th</sup> benefit	6.2%	12.3%	18.5%	15	--

**28 Incorporation**

The Association is incorporated under the Industrial & Provident Societies Act 1965 (Registered No. 27940R). It is also registered with the Housing Corporation (LH4066).

**29 Related party transactions**

The following board members, who served during the year, are tenants of the Association:

Paul Frankum  
 Sheila Jenkins  
 Kathy Hine

Richard Wylie  
 William Hall

Rents received from these board members are related party transactions but were under the same terms and conditions as applied to other tenants of the Association. Sheila Jenkins is also an employee of Sentinel Housing Association Limited.