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# **PLACES** *for* **PEOPLE**

(FORMERLY THE NORTH BRITISH HOUSING GROUP)

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2000



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**Places for People Group (formerly The North British Housing Group)**  
**Financial Statements for the year ended 31 March 2000**

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Places for People Group (formerly The North British Housing Group)

**GROUP CONSOLIDATED HIGHLIGHTS - FIVE YEAR SUMMARY**  
For the year ended 31 March

	2000	1999 as restated	1998 as restated	1997	1996
<b>Group Income and Expenditure account (£'000)</b>					
Total turnover	133,346	123,038	111,565	118,954	104,298
Gross rents receivable	123,233	110,988	100,314	93,961	84,323
Operating surplus before interest	48,398	47,379	44,260	41,094	34,905
Surplus on ordinary activities	8,393	8,638	9,679	10,704	7,830
<b>Group Balance Sheet (£'000)</b>					
Tangible fixed assets	1,617,378	1,423,888	1,327,429	1,241,787	1,145,550
Social Housing Grant and other capital grants	874,449	799,651	778,875	758,891	720,392
Tangible assets net of Social Housing Grant	739,343	623,995	538,417	473,652	419,177
Loans	624,709	539,107	427,728	358,337	323,062
Reserves: designated	38,760	30,295	22,852	20,131	9,309
Reserves: restricted	5,286	13,799	22,605	25,972	21,701
Reserves: revenue	80,126	71,700	61,795	50,240	49,758
Reserves: investment revaluation	159	728	-	-	-
Reserves: negative goodwill	15,894	-	-	-	-
<b>Accommodation Figures</b>					
Total housing stock owned (number of dwellings)	48,500	45,435	43,477	41,401	39,248
<b>Group Statistics</b>					
Surplus on ordinary activities as % of turnover	6.3%	7.0%	8.7%	9.0%	7.5%
Surplus on ordinary activities as % of gross rents receivable	6.8%	7.8%	9.6%	11.4%	9.3%
Operating surplus before interest per home owned	£998	£1,043	£1,018	£993	£889
Total reserves per home owned	£2,891	£2,565	£2,467	£2,327	£2,058
Interest cover before depreciation (surplus before charging depreciation and interest payable, divided by net interest payable)	1.3	1.2	1.3	1.4	1.3
Interest cover after depreciation (surplus after charging depreciation but before interest payable, divided by net interest payable)	1.2	1.2	1.3	1.4	1.3
Liquidity (current assets divided by current liabilities)	1.3	1.7	1.6	1.2	1.4
Gearing (total loans less current asset investments as % of tangible fixed assets)	37.3%	34.9%	31.2%	28.3%	27.4%
Voids and bad debts as % of rent and service charge receivable	5.9%	5.6%	6.1%	5.5%	5.2%

Note

These figures have been extracted and calculated from current and prior years' audited Group financial statements. The 1999 accounts have been restated as a consequence of the amendments to the capitalisation of development administration overheads required by the full adoption of the 1999 SORP. The 1998 accounts were restated as a result of FRS12 and due to the exclusion of the financial results on special needs housing managed by voluntary agents on behalf of the Group. The figures prior to 1998 include these results. The 1997 figures exclude the exceptional item received during that year.

The surplus of £8.4 million (1999:£8.6million) has been achieved after charging depreciation of £6.6million (1999:£0.1million).

The total reserves per home owned includes negative goodwill on the acquisition of Bristol Churches Housing Association Limited of £15,894,000 (Note 28).

**Places for People Group Limited (formerly The North British Housing Group Limited)**

**BOARD OF DIRECTORS, EXECUTIVES, AND ADVISERS**

**Board of Directors**

S L Cox : Group Chairman (Appointed 1 October 1999)\*

Rev Canon R W B Atkinson (Appointed 1 October 1999)\*

C Blakey (Appointed 1 October 1999)

A J Burford (Appointed 1 October 1999)\*

Miss P Leith (Appointed 15 December 1999)

D A Main (Appointed 1 October 1999)\*

Ms K Martynuik (Appointed 1 October 1999)\*

Mrs M E Morris (Appointed 1 October 1999)\*

Mr D Walker (Appointed 15 December 1999)

Mr D Cowans (Group Chief Executive Co-opted 1 October 1999)

\* denotes Directors who were members of the previous parent Board.

**Executive Directors**

Group Director (Finance & Information)

S Binks

Group Director (North West)

D G Cumberland

Group Director (Corporate Affairs)

Ms R J Green

Group Director (North East)

C N Pattinson

Group Director (Midlands and South)

Ms B J Thorndick

**Company Secretary**

G A R Fordyce

**Registered Office**

4 The Pavilions  
Portway  
Preston  
PR2 2YB

**Registered Auditors**

PricewaterhouseCoopers  
8 Princes Parade  
St Nicholas Place  
Liverpool  
L3 1QJ

**Bankers**

Co-operative Bank Plc  
147 Church Street  
Preston  
PR1 3UD

Dresdner Kleinwort Benson  
20 Fenchurch Street  
London  
EC3P 3DB

**Principal Solicitors**

Howarth Goodman & Co.  
25b Winckley Square  
Preston  
PR1 3JJ

Cobbetts  
Ship Canal House  
King Street  
Manchester  
M2 4WB

Trowers & Hamblins  
6 New Square  
Lincolns Inn  
London  
WC2A 3RP

**Registration of the Company**

The Company is registered under the Housing Act (Number L4236) and incorporated under the Companies Act (Number 3777037). It is also affiliated to the National Housing Federation.

## **Places for People Group Limited (formerly The North British Housing Group Limited)**

### **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors is pleased to present its report and the audited consolidated financial statements for the year ended 31 March 2000.

#### **Nature of the Group**

On 1 October 1999, a new Group parent body called Places for People Group Limited (named North British Housing Group Limited until 13 June 2000) was incorporated. It is a company limited by guarantee and a Registered Social Landlord. It is a non-asset owning company, which does not trade, but sets the overall strategic direction and policy framework for the Places for People Group (the Group), leaving the day to day management of the Group companies to the individual Boards. Independence and Responsibility Agreements exist between the Group parent and the subsidiaries which are the basis of the group structure and enable the Board of Directors to control the Group.

The Group comprises a number of companies, providing a range of services and products which deliver places to live, not just developing and managing rented housing. The key subsidiaries within the Places for People Group are as follows:

North British Housing Limited (NBH), previously known as North British Housing Association, is a registered non-charitable housing association through which the majority of affordable housing will be developed and managed.

New Leaf Supporting Independence Limited, previously known as North British (Third) Housing Association, is a charitable housing association which will focus on care and supported housing activities.

blueroom properties limited, previously known as Kingdomwide Limited, is a limited company which is the commercial arm of the Group, focusing on market renting to generate surpluses to subsidise core housing activities.

JVCo Limited, previously known as Kingdomwide Developments Limited, is a limited company which will develop partnerships with other organisations to make a wider contribution to the communities where the Group works.

North British Housing Trust Limited (NBHT), is an established charitable trust which provides donations for housing and homelessness organisations.

Bristol Churches Housing Association Limited (BCHA) is a charitable Registered Social Landlord which became part of the Group during the year and provides a full range of housing and housing related services in the South West.

The consolidated group owns 48,500 properties and manages 601 on behalf of other organisations. It employs 1,565 people, and has tangible fixed assets of £1,617.4million.

#### **Corporate Framework**

In order to meet the challenges of providing good quality places where people want to live, and succeeding as a Group, the Group aims to:

- ❖ continue improving the delivery of housing services;
- ❖ get closer to the Group's customers, so that it is always in touch with their views and needs;
- ❖ provide a diverse range of housing options, with choices in terms of the design, tenure and location of homes;
- ❖ provide new homes from the grant funded programme in accordance with the Group's business strategy;
- ❖ carry out a new business strategy which, reflects market realities, customer priorities, demographic trends and which is financially sustainable in the long term;
- ❖ provide or work with partners to facilitate a wider range of non-housing products and services that reflect the needs of the Group's customers such as childcare, health, employment and training, and community development;
- ❖ develop capacity and skills to improve performance and deliver best value;
- ❖ ensure estate strategies are in place to deliver the range of housing management services, lettings plans, investment and customer involvement responses required; and
- ❖ put in place marketing strategies to develop the Group's profile, attract future customers and market its homes.

The Group has published a Group Strategy Statement which describes how it will meet these challenges.

#### **Results**

The Group's surplus for the year before taxation and transfers to reserves was £8.4million. The restated equivalent figure in 1999 was £8.6million. It should be noted that the current year's surplus includes a charge for housing property depreciation of £4.6 million (1999: nil) following the introduction of the 1999 Statement of Recommended Practice (SORP). 3,065 units came into ownership of the Group during the year, £111.5million (1999 restated: £110.2million) was spent on additional housing and £45.1million (1999 : £37.8million) was reinvested in stock through maintenance, major repairs and improvements. Further details appear in the Operating and Financial Review on pages 8 and 9.

Information on the Group's operational activities for the year are contained in a separately published annual report.

**Places for People Group Limited (formerly The North British Housing Group Limited)**  
**REPORT OF THE BOARD OF DIRECTORS (CONTINUED)**

**Future Developments**

The Group had 2,376 properties in development at the year end, and it is anticipated that a further £98.5 million will be spent completing these properties.

**Committee Structure**

The Board of Directors for Places for People Group Limited is responsible for setting strategies and policies for the whole Group and co-ordinating the Group's activities under Independence and Responsibility Agreements with each subsidiary. These agreements enable the Board of Directors to control the Group and are the basis of the legal structure.

The Board has a range of skills and experience, which meet the requirements listed in the National Housing Federation's code of governance for housing associations.

Reporting to the Board on Group issues are the Audit Committee and the Finance & Corporate Affairs Committee.

The Audit Committee is responsible to the Board for all the Group's accounting policies and standards, appointment and remuneration of the external auditors, the resources and work programme of Business Assurance, and monitoring the risk management framework and the adequacy of internal control. The Committee is also responsible for receiving and reviewing reports from Business Assurance and external audit on a regular basis.

**Audit Committee Members:-**

D A Main (Chair)	
Rev Canon R W B Atkinson	C Blakey
A J Burford	Ms K Martyniuk

**Officers who attend the meeting:-**

Group Chief Executive	Head of Business Assurance
Group Director (Finance & Information)	Group Accountant

The External Auditors also attend the Audit Committee meetings.

The Finance & Corporate Affairs Committee is responsible to the Board for examining all the Group's financial reporting, terms and conditions of employment and remuneration policy, including those of the Group Chief Executive and Executive Directors, treasury policy, health & safety policy, approving donations, and considering and taking action on urgent issues.

**Finance & Corporate Affairs Committee Members:-**

S L Cox (Chair)	D A Main
Rev Canon R W B Atkinson	Mrs M E Morris

**Officers who attend the meeting:-**

Group Chief Executive	Group Treasurer
Group Directors	Company Secretary
Group Accountant	

There are also 18 Area Committees within the Group. At 31 March 1999 there were 19 such Committees, during the year one of the Committees became part of the BCHA Board. These are responsible to the Boards of the Group Subsidiaries for reviewing local housing needs, agreeing Area operational plan targets, annual budgets, development programme, dealing with possession cases and monitoring performance.

**Executive Directors**

The Executive Directors are listed on page 3 and they are appointed by the Board of Directors. They are responsible for the day to day management of the Group and meet on a fortnightly basis. The meetings are chaired by the Group Chief Executive.

**Places for People Group Limited (formerly The North British Housing Group Limited)**  
**REPORT OF THE BOARD OF DIRECTORS (CONTINUED)**

**Corporate Governance**

A Code of Governance was published by The National Housing Federation in September 1995. It was intended for the guidance of Housing Associations so that they can follow the highest standards of governance, accountability and probity while responding within an environment of change and risk.

The Group has recorded its support for the Code's publication and for the Housing Corporation's Circular on Internal Financial Control and Financial Reporting. The Board has taken appropriate action in response to the Code and is pleased to comply with all the requirements of the Circular. The Board of Directors have agreed the following statement on internal financial controls.

**Internal Financial Controls**

The Board of Directors is responsible for the Group's system of internal financial control. The Audit Committee is responsible to the Board for reviewing this system and reporting on its effectiveness. Any such system can provide reasonable but not absolute assurance against material misstatement or loss, and the development of the system is a continuing process.

The following are the key procedures the Board of Directors have established and designed to provide effective internal financial control:-

- Major decisions are taken by the Board of Directors. Other decisions are delegated through defined Independence and Responsibility Agreements for each subsidiary, terms of reference for each Committee and financial regulations and standing orders for employees.
- A group strategy statement is produced and published incorporating the Group's strategic direction and values. These are reflected in a business plan and individual area plans which include operational targets for effective performance monitoring.
- A clearly defined organisation structure and management responsibilities, together with the appointment of experienced and suitably qualified staff with responsibility for important business functions.
- The preparation, monitoring and approval of financial plans including sensitivity analysis and assessment of key risks.
- The preparation, approval and monitoring of an annual budget and quarterly management accounts for the Group.
- Performance monitoring by all Boards of Directors, all Committees and the Group's executive team through quarterly and monthly reports on key business activities and risks.
- Ongoing policy and process review of key systems with quarterly reports to Boards and Committees.
- Specified procedures for capital expenditure approval, tendering, treasury management, payments and income receipting, recording, reconciliation and banking.
- The use of a loan covenant register and standard loan covenants for agreement with lenders. All new treasury products need to be approved by the Board of Directors.
- The preparation, approval and monitoring of a risk management framework for the Group. This framework identifies the key risks facing the Group and the control arrangements in place. It has been developed during the year to create Area risk control frameworks which are reviewed by the Area Committees.
- The receipt of an annual report to the Audit Committee from Business Assurance on its strategic plan and a quarterly report on the Risk Management Framework;
- Quarterly reports to Audit and Area Committees from Business Assurance covering the detailed audits carried out within the context of the strategic plan.

The Board of Directors has reviewed the effectiveness of the system of internal financial control for the year ended 31 March 2000, and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements. In addition, the Board believes the Group is well placed to comply with any future requirements relating to the Combined Code on Corporate Governance.

**Places for People Group Limited (formerly The North British Housing Group Limited)**  
**REPORT OF THE BOARD OF DIRECTORS (CONTINUED)**

**Employment and Equal Opportunities**

The Group considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Group has a comprehensive training policy and, during 1999, achieved the Investors in People Standard.

The Group is committed to equality of opportunity and the employment and housing policies of the Group reflect this.

It is the policy of the Group that disabled people should receive full and fair consideration for all job vacancies for which they are suitable applicants. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

**Health and Safety and the Environment**

The Board is aware of its responsibilities on all matters relating to health, safety and the environment. The Group has prepared detailed health and safety policies and continues to provide staff training and education on health and safety matters. In addition, a Health and Safety Advisor has been appointed and detailed risk assessments have been undertaken.

The Group aims to manage its activities so that any adverse effects on the environment are minimised. A policy statement has been produced which reaffirms the Group's commitment to environmental, social and economic sustainability. This has been discussed within the organisation to raise awareness and agree practical ways of implementation.

**Donations**

During the year the Group has made charitable donations of £25,115 (1999:£28,831). The Group has made no political donations (1999 :£nil).

**Annual General Meeting**

The Annual General Meeting will be held on 27 September 2000 at 305 Gray's Inn Road, Kings Cross, London.

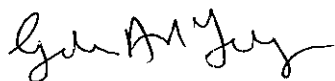
**Responsibilities of the Board of Directors**

The Board of Directors is required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the surplus of the Group for that period.

The Board of Directors confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2000. The Board of Directors also confirms that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The Board of Directors is responsible for ensuring proper accounting records are kept, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



**G A R Fordyce**  
**Company Secretary**

**Preston, 9 August 2000**



## **Places for People Group (formerly The North British Housing Group)**

### **OPERATING AND FINANCIAL REVIEW**

#### **Results for the Year**

Places for People Group is a not-for-profit Group. There are Registered Social Landlord's (RSL's) in the group structure which seek to charge affordable rents whilst ensuring that adequate income is generated to meet operating costs and interest payments, and to provide an appropriate level of surplus and reserves which are required for the reasons stated below. There are non RSL's within the Group which seek to make profits to contribute to the overall aims of the Group. The results of the Group should be considered with this in mind.

The Group's surplus for the year before taxation and reserve transfers was £8.4million (1999 as restated : £8.6million), which the Board of Directors considers meets the objectives detailed above, particularly as £34.1million has been retained to date in reserves for planned increases in major repair expenditure. The Group is committed to a policy of concentrating its resources on the maintenance and improvement of its housing stock, and this will be financed from future annual income supplemented by the allocated reserves.

The surplus for the year includes a charge for the depreciation of housing properties of £4.6million (1999 : nil). This follows the introduction of the 1999 Statement of Recommended Practice (SORP).

The Group acquired Bristol Churches Housing Association Limited (BCHA) during the year at nil consideration. The negative goodwill on the Group's balance sheet arises from the acquisition, and represents the fair value of the assets less liabilities (Note 28).

With regard to the Group's main activity, the letting and management of rented housing, the operating surplus before interest, increased by 1% to £47.9million (1999: £47.2million). Turnover increased by 11% to £128.5million (1999 : £116.0million), whilst operating costs increased by 17% to £80.6million (1999 : £68.9million). The acquisition of BCHA has contributed to these increases. The total expenditure on repairs and maintenance, major repairs, and improvements was £45.1million (1999 : £37.8million), of which £13.5million relating to improvements has been added to fixed assets. The balance of the expenditure is included in operating costs. The Board of Directors believe that this, together with the planned expenditure on its housing stock and a determination to keep rents affordable, demonstrates a commitment to the key objectives of the Group.

#### **Surpluses/reserves**

Annual surpluses are necessary to meet unforeseen events which may arise during the year, to meet obligations to lenders and to build up adequate reserves for the Group, for the reasons detailed below. The Group's policy on surpluses is to generate a sufficient level to meet these requirements, whilst at the same time planning to restrict average rent increases to no more than the Retail Price Index. This will enable the Group to continue to achieve the current Housing Corporation Performance Standard on rent increases and also meet the proposals on rents contained in the recent Green Paper on Housing. Performance Indicators published by the Housing Corporation demonstrate that the Group's assured rents are lower than those charged by the majority of comparable Associations.

The Group has reserves of £140.2million (1999 as restated : £116.5million), representing an amount of £2,891 per property. These have been generated from the accounting surpluses over the years, but are not held in the form of cash. The cash attributable to these reserves has been spent on the Group's housing stock thus reducing borrowing requirements. If reserves were not built up and used together with loan finance to fund new development, the pool of properties available to secure new loans would be rapidly exhausted and the ability of the Group to continue to meet housing needs seriously threatened.

There are two further reasons why reserves are needed. Firstly, the Group has a long term responsibility to maintain and improve its properties and to respond to changes in demand for accommodation. The consequences of a lack of proper investment in the past in both the public and private sector is all too apparent. To meet this commitment, the Group has increased expenditure on its housing stock and has allocated reserves for major repairs totalling £34.1million (1999 : £34.7million). Secondly, the Group faces significant financial risks, a brief summary of which is provided below.

During the year, £111.5million was spent on developing housing and the Group expects to spend a further £98.5million completing the 2,376 properties in development at the year end. This development programme exposes the Group to a number of risks, including liquidation of contractors, remedying of defects, contractual litigation and cost overruns. A designated reserve of £1.2million is set aside as a provision against these. The potential risk cannot be accurately quantified and it is possible that revenue reserves may be needed for situations arising in the future.

Another area of risk relates to Group borrowings which have increased by 16% during the year, reflecting the fact that an increasing proportion of development costs are now being met from loans as opposed to grant. The Group has limited its overall exposure to this risk by securing the majority of its debt at a fixed rate of interest and through the development of interest rate hedging techniques. However a 1% rise in interest rates would, for example, cost the Group £1.9million per annum.

**Places for People Group (formerly The North British Housing Group)**  
**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

Finally, a large proportion of the Group's rental income is paid from housing benefit. Whilst the Group's commitment to charging affordable rents reduces its vulnerability to changes in the benefit system, it is nevertheless a concern that this is an area that may be targeted as pressures on the Social Security budget increase.

The Board of Directors consider that, in the light of the above, the current policy on surpluses and reserves reflects an appropriate degree of prudence justified by the assessment of potential risks and future liabilities.

**Corporation Tax**

The Group's financial plan indicates that around £22million of tax will be payable over the next five years. This will lead to the Group incurring additional borrowings, thereby reducing its ability to meet housing need, and invest in its stock. Various options are being considered in an attempt to mitigate the effects.

**Cashflow and Liquidity**

The net cash inflow from operating activities before interest costs was £48.6million (1999 as restated: £40.8million). Bank balances and short term investments were £34.8million at the year end (1999 : £38.2million). In addition to this, the Group had available facilities of £122.6million, of which £89.2million was immediately available without the need for additional security.

**Treasury Management**

Group borrowings increased by £86million during the year, with £26million of this increase relating to the BCHA acquisition. The ratio of net loans to total tangible assets at cost, after adjusting for the direct costs of fund raising was 37.3% (1999 restated: 34.9%) which is within the strategy target maximum of 50%.

The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum 1 years cashflow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements. The borrowing strategy is to aim over time to contain interest rate risk to within 25% of the loan book, with the Board exercising a strict control over derivative transactions (currently 67% of debt is at fixed rates of interest, whilst a further 7% is hedged against adverse rate movements). Refinancing risk (defined as loans which do not include some form of amortisation) is constrained to no more than 50% of the loan book. Currently only 23% of debt carries a refinancing risk, the majority of which matures beyond 5 years.

The Group's investment activity is governed by strict counterparty credit criteria and investment limits, the primary objective being the preservation of capital, as opposed to maximisation of returns.

**Fixed Assets**

The cost of the Group's fixed assets is £1,617.4million (1999 restated: £1,423.9million). These have been funded from Housing Association and other capital grants of £874.4million (54.1%), loans of £624.7million (38.6%) and the Group's own resources of £118.3million (7.3%).

**Long Term Debtors**

The majority of these debtors relate to housing properties developed for other organisations which are transferred to them by lease on completion. It is envisaged that, over time, these organisations will raise their own finance and buy out the lease obligations.

**Going Concern**

After making appropriate enquiries, the Board of Directors confirms it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly it continues to adopt the going concern basis in preparing the Group's financial statements.



**D Cowans**  
**Group Chief Executive**

**Preston, 9 August 2000**

**REPORT OF THE AUDITORS TO THE DIRECTORS OF PLACES FOR PEOPLE GROUP LIMITED**

We have audited the financial statements on pages 11 to 41.

**Respective Responsibilities of the Board of Directors and the Auditors**

The Group's Board of Directors are responsible for preparing the financial statements, as described on page 7, and for other information issued with the financial statements. Our responsibilities, as independent auditors, are established by statute, the Audit Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determinations 1997 and 1998. We also report to you if, in our opinion, the Board's report is not consistent with the financial statements, if the company has not kept proper records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions is not disclosed.

We read the other information issued with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards 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 of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the Group affairs as at 31 March 2000 and of the surplus and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determinations 1997 and 1998.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

Liverpool  
9 August 2000

**REPORT BY THE AUDITORS TO PLACES FOR PEOPLE GROUP LIMITED ON INTERNAL FINANCIAL CONTROL**

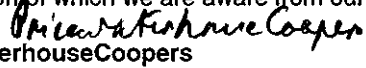
In addition to our audit of the financial statements, we review whether the statement on page 6 by the Board of Directors reflects the company's compliance with the Housing Corporation Circular R2 - 18/96 "Internal financial control and financial reporting" ("the Circular"). We report whether the Board of Directors has provided the disclosures required by the Circular and whether the statement is not inconsistent with the information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of the company's system of internal financial control.

**Basis of Opinion**

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's system of internal financial control.

**Opinion**

With respect to the Board of Directors statement on internal financial control on page 6, in our opinion the Board of Directors have provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit of the financial statements.

  
PricewaterhouseCoopers  
Chartered Accountants

Liverpool  
9 August 2000

Places for People Group (formerly The North British Housing Group)

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

for the year ended 31 March

		2000	1999
		£'000	as restated £'000
	Notes		
Turnover	2	133,346	123,038
Cost of sales	2	(910)	(2,524)
Operating costs	2	(84,038)	(73,135)
Operating surplus before interest	2	48,398	47,379
Surplus on sale of housing accommodation	4	923	318
Interest receivable and similar income	7	2,877	4,926
Interest payable and similar charges	8	(43,766)	(43,983)
Share of operating (deficit) on joint venture	15	(39)	(2)
Surplus on ordinary activities before taxation	9	8,393	8,638
Taxation	10	(15)	(96)
Surplus for the year		8,378	8,542
Revenue reserves at 1 April	25	71,700	61,795
Transfer from restricted reserves	26	8,513	8,806
Transfer (to) designated reserves	27	(8,465)	(7,443)
Revenue reserves at 31 March	25	80,126	71,700

All amounts relate to continuing operations.

There is no difference between the surplus as stated above, and the historical cost equivalents for 2000 and 1999.

**Consolidated Statement of Total Recognised Gains and Losses**

	2000	1999
	£'000	as restated £'000
Surplus for the financial year	8,378	8,542
Unrealised (deficit)/surplus on revaluation of listed investments (Note 29)	(569)	728
Total gains and losses recognised since the last annual report	7,809	9,270

The notes on pages 15 to 41 form an integral part of these financial statements.

The previous years' operating costs have been restated as a consequence of the amendments to the capitalisation of development administration overheads required by the full adoption of the 1999 SORP.

The parent company, Places for People Group Limited, has not traded during the year and accordingly no income and expenditure account has been included in these financial statements. It is anticipated that the Company will not commence trading in the coming year.

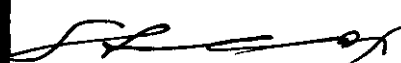
**CONSOLIDATED BALANCE SHEET**  
as at 31 March

		2000		1999 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	11		1,617,378		1,423,888
Less: SHG and other capital grants	11	(874,448)		(799,651)	
: Depreciation	11	<u>(18,050)</u>	<u>(892,498)</u>	<u>(9,386)</u>	<u>(809,037)</u>
			724,880		614,851
Investments	14		14,502		9,146
Investments in joint ventures:	15				
: Share of gross assets		146		206	
: Share of gross liabilities		<u>(185)</u>	<u>(39)</u>	<u>(209)</u>	<u>(3)</u>
			739,343		623,995
<b>Current assets</b>					
Stock	16	3,129		436	
Debtors: amounts due after one year	17	11,209		10,215	
Debtors: amounts due within one year	18	16,612		13,917	
Investments	19	22,027		42,760	
Cash at bank and in hand		<u>13,051</u>		<u>4,288</u>	
		66,028		71,616	
<b>Creditors: amounts falling due within one year</b>	20	<u>(52,207)</u>		<u>(42,606)</u>	
<b>Net current assets</b>			13,821		29,010
<b>Total assets less current liabilities</b>			<u>753,164</u>		<u>653,005</u>
<b>Creditors: amounts falling due after more than one year</b>	21	611,142		532,969	
<b>Provisions for liabilities and charges</b>	24	<u>1,797</u>		<u>3,514</u>	
			612,939		536,483
<b>Capital and reserves</b>					
Revenue reserves	25	80,126		71,700	
Restricted reserves	26	5,286		13,799	
Designated reserves	27	38,760		30,295	
Negative goodwill	28	15,894		-	
Investment revaluation reserve	29	159		728	
Capital contribution	44	-		-	
<b>Total capital and reserves</b>			140,225		116,522
			<u>753,164</u>		<u>653,005</u>

The notes on pages 15 to 41 form an integral part of these financial statements.

The previous years' tangible fixed assets have been restated as a consequence of the amendments to the capitalisation of development administration overheads required by the full adoption of the 1999 SORP.

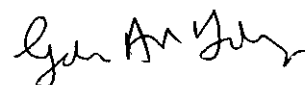
The financial statements on pages 11 to 41 were approved by the Board of Directors on 9 August 2000, and signed on its behalf by:



S L Cox  
Group Chairman



D A Main  
Board Member



G A R Fordyce  
Company Secretary

Places for People Group Limited (formerly The North British Housing Group Limited)

BALANCE SHEET

as at 31 March

2000

	Notes	£	£
Fixed assets			
Investments	43		100
Total assets less current liabilities			<u>100</u>
Capital and reserves			
Capital contribution	44	<u>100</u>	
Total capital and reserves			<u>100</u>

The notes on pages 15 to 41 form an integral part of these financial statements.

On 1 May 1999 a new company called Places for People Group Limited was incorporated. On 1 October 1999 this company became the Group parent. It is a non-asset owning company which does not trade, and therefore has made no profits or losses.

The financial statements on pages 11 to 41 were approved by the Board of Directors on 9 August 2000, and signed on its behalf by:

  
L Cox  
Group Chairman

  
D A Main  
Board Member

  
G A R Fordyce  
Company Secretary

**CONSOLIDATED CASHFLOW STATEMENT**  
for the year ended 31 March

		2000	1999 restated
	Note	£'000	£'000
<b>Net cash inflow from operating activities</b>	31	48,778	40,782
<b>Returns on investments and servicing of finance</b>			
Interest received		2,877	4,926
Interest paid		<u>(45,611)</u>	<u>(47,438)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		(42,734)	(42,512)
<b>Taxation</b>			
Corporation tax reclaimed		(112)	-
<b>Capital expenditure and financial investment</b>			
Acquisition and construction of housing properties		(111,486)	(110,211)
Social housing and other capital grants received		32,240	23,891
Sales of housing properties		19,461	10,197
Sales of initial tranche of shared ownership properties		6,173	7,619
Grants repaid on sales of housing properties		(1,745)	(185)
Expenditure on other tangible fixed assets		(4,830)	(5,803)
Investments held in trust		(5,297)	(8,647)
Investments in third parties repaid		105	71
Sales of other tangible fixed assets		<u>411</u>	<u>296</u>
<b>Net cash outflow for capital expenditure and financial investments</b>		<u>(64,968)</u>	<u>(82,772)</u>
		(59,036)	(84,502)
<b>Acquisitions and disposals</b>			
Cash acquired on acquisition	33	64	-
Overdraft acquired on acquisition	33	<u>(3,374)</u>	<u>-</u>
		(3,310)	-
<b>Net cash outflow before management of liquid resources and financing</b>		<u>(62,346)</u>	<u>(84,502)</u>
<b>Management of liquid resources</b>			
Decrease/(increase) in short-term investments		20,164	(28,247)
<b>Financing</b>			
Loans redeemed		(41,000)	-
Loans received		142,170	126,363
Loan principal repaid		<u>(41,676)</u>	<u>(15,039)</u>
<b>Net cash inflow from financing</b>		<u>59,494</u>	<u>111,324</u>
<b>Increase/(decrease) in cash</b>	32	<u>17,312</u>	<u>(1,425)</u>

The notes on pages 15 to 41 form an integral part of these financial statements.

The parent company, Places for People Group Limited, did not trade during the year, and therefore has no cashflows to report.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice for Registered Social Landlords (SORP). A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention and comply with the Companies Act 1985, Accounting Requirements for Registered Social Landlords General Determinations 1997 and 1998, and the SORP, published in March 1999.

**Changes in accounting policies**

With the full implementation of the SORP during the year the accounting policy for the capitalisation of development overheads has changed. This has resulted in a prior year adjustment to the surplus for 1998/99 and the restatement of the tangible fixed asset note.

**Basis of Consolidation**

The financial statements are group statements and have been prepared by consolidating the results of the bodies within the Places for People Group in accordance with Financial Reporting Standard 2 (FRS 2). The bodies within the consolidation are:-

**Registered under the  
Industrial & Provident Societies Act 1965 :**

North British Housing Ltd  
North British Retirement Housing Association Ltd  
East British Housing Association Ltd  
North British (First) Housing Society Ltd  
New Leaf Supporting Independence Ltd  
Bristol Churches Housing Association Ltd

**Registered under the  
Companies Act 1985:**

Places for People Group Ltd  
North British Urban Renewal Ltd  
North British Housing Trust  
North British Landscapes Ltd  
blueroom properties Ltd  
Kingdomwide Developments Ltd  
Green Homes Ltd  
JVCo Ltd

Independence and Responsibility Agreements exist between the Group parent and the subsidiaries, which are the basis of the group structure, and enable the Board of Directors to control the Group. All subsidiaries have coterminous year ends. New Leaf Supporting Independence Limited, North British Housing Trust and Bristol Churches Housing Association Limited have charitable status.

**Turnover**

Turnover represents rental and service charge income receivable, income from the sale of properties, fees and revenue grants from local authorities and The Housing Corporation, development administration, and other income.

**Revenue Grants**

The Group has a substantial programme of major repairs expenditure, the majority of which is treated as an operating cost. A limited amount of this is funded from Social Housing Grant (SHG), with the majority being met from rental income. The SHG is shown as turnover along with other revenue grants received.

**Taxation**

The Group is liable to United Kingdom Corporation Tax.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2000

### 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Pensions

There are two defined benefit pension schemes based on final pensionable salary. Contributions from the Group and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contribution.

The cost of pensions to the Group is charged to the Income and Expenditure Account over the remaining service lives of employees.

#### Housing land and properties

Housing land and properties are stated at cost. The cost of properties is their purchase price together with costs of acquisition and improvements, including related development costs and interest payable. Properties purchased for improvement for sale are treated as current assets and all other housing properties are treated as tangible fixed assets.

#### Depreciation of housing properties

Freehold land is not depreciated. Depreciation is calculated on the cost of the asset, net of social housing grant and other capital grants, and is charged so as to write down the value of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their remaining expected useful economic lives. The expected useful economic lives of the majority of rented, shared ownership and care stock are estimated by independent surveyors to be 100 years.

The need to carry out an impairment review is assessed on an annual basis in accordance with FRS 11 for all fixed assets. For those assets with a remaining economic life greater than 50 years an impairment review is carried out on an annual basis in accordance with the FRS.

#### Social Housing Grant and other capital grants

Where developments have been financed wholly or partly by SHG or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG or housing association grant is retained following the disposal of property, it is shown under the disposal proceeds and recycling capital grant funds in creditors: amounts falling due after more than one year. These funds will be used for the provision of new social housing for rent and sale.

#### Capitalisation of interest and administrative costs

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Group's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

#### Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis over the estimated useful economic lives of the assets at the following annual rates:

Office Buildings	Between 1.67% and 10% of cost.
Furniture and Equipment	10% to 25% of cost
Motor Vehicles	20% or 25% of cost

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Improvements to property**

The Group capitalises expenditure on housing properties which results in an increase in the net rental income over the life of the property.

**Investments**

Investments in group subsidiaries and short term investments are shown at the lower of cost and net realisable value. The investments in gilts are shown at valuation.

**Stock**

The cost of stock includes acquisition and development costs together with capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value.

**Finance Issue Costs**

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year, in accordance with FRS4: Capital Instruments.

**Low Start Loans**

The Group has a number of low start loans where the principal outstanding increases during the year. The increase is recognised in the Income and Expenditure account in the accounting period in which it is charged to the loan account, unless there is a formal guarantee from a third party to finance any deficit arising. Where such a guarantee is in place, the interest deferred is shown in the deferred financing account.

**Discounted bonds**

Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on the issue of the discounted bonds, and is written off through the Income and Expenditure Account at a constant rate on the carrying amount of the debt.

**Assets leased to other bodies**

The Group has developed a number of housing properties which have been leased to other organisations. These are shown as stock whilst in development, and as long-term debtors once lease agreements are in place. The lease income is shown as turnover.

**Special Needs Housing managed by Voluntary Agents on behalf of the Group**

Because of the nature of the relationship between the Group and its managing agents, these financial statements exclude the financial performance of the projects managed by our agents. Information on the agents used and the grant paid to them is provided in note 39.

**Provisions**

Provisions are made to the extent that the Group has no discretion to avoid the expenditure provided for.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Restricted reserves**

The Group has reserves which are only expendable in accordance with the wishes of the funder. The transfers to/from restricted reserves are shown in the Income and Expenditure Account.

The Housing Corporation requires that the surplus, before major repairs expenditure, on properties developed between 1974 and 1989 is set aside by the Group. The Housing Corporation requires the Group to account for the value of this surplus in a Rent Surplus Fund (RSF). Regulations on the RSF require the Group to set aside previous surpluses generated, net of eligible major repairs expenditure, and 90% of future surpluses calculated to accrue to the fund, in a restricted reserve to finance future major repairs expenditure. A transfer from the restricted reserve is made when such expenditure occurs.

The Grace Gillett Legacy represents a bequest to the Group for future support of a particular scheme.

**Designated reserves**

The Group designates all those reserves which have been earmarked for a specific use. The transfers to/from designated reserves are shown in the Income and Expenditure Account.

Reserves have been earmarked based on management judgement, as follows:

- To finance planned increases in major repairs expenditure.
- To replace tenant service items at the end of their useful life.
- To finance costs arising from defects, litigation or liquidation on a property development.
- To generate annual investment income to finance the Robert Brotherton Award. This award enables the selected staff member to support a housing related project.

**Revaluation reserve**

The revaluation reserve represents the increase in value of the investments in gilts, as these are marked to market annually. No assets other than these investments are revalued.

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Acquisition accounting**

Bristol Churches Housing Association (BCHA) joined the Group on 30 September 1999. In accordance with the revised SORP and FRS6, this has been accounted for as an acquisition.

**Merger accounting**

On 1 October 1999, a new Group parent body called Places for People Group Limited (named North British Housing Group Limited until 13 June 2000), was incorporated. On this date North British Housing Limited became a subsidiary of Places for People Group Limited, and the other subsidiaries were merger accounted within the Group. The merger was effected by the introduction of Independence and Responsibility Agreements between the Group parent and the subsidiaries. The merger has been accounted for using the merger accounting principles set out in FRS6.

Places for People Group (formerly The North British Housing Group)

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2000

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

	2000			1999		
	Turnover	Cost of Sales	Operating costs	Operating surplus/(deficit)	Turnover	Cost of Sales
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from lettings (note 3)	123,538	-	(80,634)	47,904	116,036	-
						(68,871)
						47,165
<b>Property Sales income and expenditure</b>						
Development for sale	55	-	(10)	45	1,815	(1,726)
						(57)
						32
<b>Other income and expenditure</b>						
Architects	473	-	(447)	26	453	-
Management services	162	-	(118)	44	755	-
Commercial properties	164	-	(163)	1	137	-
Leased schemes	1,766	-	-	1,766	2,120	-
Housing market unit	54	-	(141)	(87)	194	-
Other	2,134	(910)	(2,525)	(1,301)	1,528	(798)
						(2,038)
<b>Total</b>	<b>133,346</b>	<b>(910)</b>	<b>(84,038)</b>	<b>48,398</b>	<b>123,038</b>	<b>(2,524)</b>
						(73,135)
						47,379

The income from leased schemes is used to make interest payments.

The other turnover includes the release of a provision on the liquidation of the BES companies which were repurchased in the previous year £540,000 (1999: £nil), VAT recovery of £383,829 (1999: £252,037), and landscaping charges generated from outside the Group of £214,008 (1999: £228,311).

The other operating costs include losses on shared ownership developments of £539,705 (1999: £227,281), recognition of impairment on housing properties of £1,396,000 (1999: £976,000), and other administrative costs £589,295 (1999: £1,082,558). The previous years' other administrative costs have been restated as a consequence of the amendments to the capitalisation of development administration overheads required by the full adoption of the 1999 SORP £429,410 (1999: £404,092) (Note 40).

The Board of Directors considers that one class of business exists and no further segmental analysis is necessary.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2000

3. INCOME AND EXPENDITURE FROM LETTINGS

	2000			1999				
	Housing Accommodation	Hostels	Shared Ownership	Total	Housing Accommodation	Hostels	Shared Ownership	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income from lettings</b>								
Rent receivable net of service charges	104,441	2,929	5,157	112,527	94,423	2,523	5,036	101,982
Service charges receivable	9,949	421	336	10,706	8,565	-	441	9,006
<b>Gross rents receivable</b>	<b>114,390</b>	<b>3,350</b>	<b>5,493</b>	<b>123,233</b>	<b>102,988</b>	<b>2,523</b>	<b>5,477</b>	<b>110,988</b>
LESS: Rent losses from voids	(3,968)	(276)	(23)	(4,267)	(3,372)	(196)	(21)	(3,589)
<b>Net rents receivable</b>	<b>110,422</b>	<b>3,074</b>	<b>5,470</b>	<b>118,966</b>	<b>99,616</b>	<b>2,327</b>	<b>5,456</b>	<b>107,399</b>
Revenue grants from local authorities and other agencies	6,309	691	-	7,000	6,593	481	-	7,074
Revenue grants from the Housing Corporation	133	1,093	-	1,226	8	1,123	-	1,131
Revenue grants received for major repairs	361	-	-	361	351	60	-	411
Other income	797	188	-	985	(67)	88	-	21
<b>Total income from lettings</b>	<b>118,022</b>	<b>5,046</b>	<b>5,470</b>	<b>128,538</b>	<b>106,501</b>	<b>4,079</b>	<b>5,456</b>	<b>116,036</b>
<b>Expenditure on lettings</b>								
Services	(12,595)	(2,793)	(294)	(15,682)	(11,637)	(2,430)	(441)	(14,508)
Management	(21,629)	(1,394)	(635)	(23,658)	(19,330)	(1,021)	(699)	(21,050)
Routine Maintenance	(22,434)	(299)	(444)	(23,177)	(20,055)	(81)	(466)	(20,602)
Rent losses from bad debts	(2,933)	(79)	(23)	(3,035)	(2,470)	(85)	(17)	(2,572)
Major repairs expenditure	(8,413)	(9)	(4)	(8,426)	(8,947)	(70)	-	(9,017)
Depreciation on housing assets	(4,303)	(33)	(216)	(4,552)	-	-	-	-
Other costs	(2,022)	(60)	(22)	(2,104)	(1,032)	(50)	(40)	(1,122)
<b>Total expenditure on lettings</b>	<b>(74,329)</b>	<b>(4,667)</b>	<b>(1,638)</b>	<b>(80,634)</b>	<b>(63,471)</b>	<b>(3,737)</b>	<b>(1,663)</b>	<b>(68,871)</b>
<b>Operating Surplus from lettings</b>	<b>43,693</b>	<b>379</b>	<b>3,832</b>	<b>47,904</b>	<b>43,030</b>	<b>342</b>	<b>3,793</b>	<b>47,165</b>

Places for People Group (formerly The North British Housing Group)

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2000

4. SALE OF HOUSING ACCOMMODATION

	2000				1999			
	Turnover	Cost of Sales	Operating costs	Operating surplus/(deficit)	Turnover	Cost of Sales	Operating Costs	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Sales income and expenditure								
Sale of housing accommodation	20,538	(18,552)	(1,063)	923	9,714	(8,903)	(493)	318
Total	<u>20,538</u>	<u>(18,552)</u>	<u>(1,063)</u>	<u>923</u>	<u>9,714</u>	<u>(8,903)</u>	<u>(493)</u>	<u>318</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**5. DIRECTORS EMOLUMENTS**

The Group is administered by a voluntary Board of Directors, the members of which received no remuneration during the year (1999:£Nil).

	2000 £	1999 £
Expenses not chargeable to United Kingdom income tax reimbursed to directors	<u>44,809</u>	<u>50,758</u>

These amounts are not included in the disclosure below.

For the purpose of this note, directors are defined as the members of the Board of Directors and the Executive Directors of the Group. (See pages 3 and 5). They are responsible for the day to day management of the Group but their remuneration is paid by North British Housing Limited.

	2000 £	1999 £
<b>Aggregate emoluments</b> (excluding pension contributions)	<u>521,996</u>	<u>485,313</u>

Retirement benefits are accruing to 6 directors under a defined benefit scheme.

**Highest paid director:**

Aggregate emoluments (excluding pension contributions) include amounts paid to the Group Chief Executive

<u>119,717</u>	<u>112,763</u>
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The Group Chief Executive is an ordinary member of the pension scheme, and does not receive any enhanced or special terms or contributions to any individual pension arrangement.

**Defined benefit pension scheme:**

Accrued pension at end of year	31,328	29,109
Accrued lump sum at end of year	4,247	821

The number of directors who received emoluments (excluding pension contributions and compensation for loss of office) in the following ranges was:

	2000 Number	1999 Number
£NIL	9	14
£25,001-£30,000	-	1
£50,001-£55,000	-	1
£70,001-£75,000	-	3
£75,001-£80,000	3	1
£80,001-£85,000	1	-
£85,001-£90,000	1	-
£110,001-£115,000	-	1
£115,001-£120,000	1	-

The Group has no contracts in which a director has an interest.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**6. EMPLOYEE INFORMATION**

	2000	1999 as restated
The average number of employees expressed as full time equivalents (including the Executive Directors) employed during the year was:		
Managing housing services	898	887
Developing and selling houses	46	45
Central administration services	205	122
Care services	253	208
	<u>1,402</u>	<u>1,262</u>

	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	24,977	21,091
Social security costs	1,678	1,498
Other pension costs	2,339	2,102
	<u>28,994</u>	<u>24,691</u>

**Pension obligations**

**(i) North British Housing Limited**

The total pension cost for North British Housing Limited was £2,203,545, (1999:£2,040,406). This related to two schemes of which employees are members.

The North British Housing Association Limited Retirement Benefits Scheme is an independently administered pension scheme. It is a defined benefits scheme based on final pensionable salary. As at 31 March 2000 there are 1,102 employees participating in this scheme. The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected accrued benefit method and is not materially different from that arising from the current employer's contribution rate. The level of funding by the Association is 14.2% of pensionable salary. These figures are based on a full actuarial valuation at 1 January 1998, (next valuation due 1 January 2001). The assumptions which have the most significant effect on the results of the valuation are those relating to the differences between the rate of return on investments and the rate of increase in salaries. It was assumed that the rate of return on investments would be 8.75% per annum and that the general level of salaries would increase by 7% per annum. The market value of the scheme's assets was £27,663,000 at 1 January 1998, based on the valuation undertaken by the actuary. After allowing for expected future increases in earnings, the actuarial value of these assets was sufficient to cover 83% of the benefits that had accrued to members. In 1998/99 the Group made an additional contribution to the scheme of £640,000 and the benefit levels accruing in respect of pensionable service from 1 January 1999 were adjusted to ensure that the scheme will be able to fund its forecast liabilities. There was no deficiency within the scheme on the Statutory Minimum Funding Requirement as at 1 January 2000.

The Social Housing Pension Scheme (formerly the NFHA/HC Scheme) is administered by the Pensions Trust. It is a defined benefits, final salary scheme with an active membership at 31 March 2000 of 19,843. There are 20 employees participating in the scheme, who were previously employed by a Housing Association which has since joined the Group. The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit funding method and is not materially different from that arising from the current employer's contribution rate. The last full actuarial valuation was 30 September 1996. The Pensions Trust have communicated that the results of the next actuarial valuation will not be available until later in the year. The assumptions which have the most significant effect on the results of the valuation are those relating to the difference between the rates of return on investments and the rates of increases in salaries and pensions. It is assumed that the rate of return on investments would be 9% per annum, that the general level of salaries would increase by 6.5% per annum and future pensions would increase at the rate of 4.5% per annum. At the date of the last actuarial valuation the market value of the assets was £328,390,000. The actuarial value of the assets of the scheme at the same date was £296,860,000. The actuarial value was sufficient to cover 111% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The surplus is being used to abate the contributions of existing employers to 9.5% of pensionable salaries until 30 September 2009; new employers participating from 1 October 1997 will be required to contribute 10.6% of pensionable salaries in line with the assessed future service funding rate.

As the payments made to both pension schemes are in line with the long term actuarial recommendations, no provision is required for differences between amounts paid and the long term contribution rate.

**(ii) North British Landscapes**

The total pension cost for North British Landscapes Limited was £64,305 (1999:£61,787). At 31 March 2000 there were 42 employees of this company participating in The North British Housing Association Limited Retirement Benefits Scheme, as noted above, which is a defined benefit scheme based on final pensionable salary.

**(iii) Bristol Churches Housing Association Limited**

The total pension cost for Bristol Churches Housing Association Limited was £69,669. At 31 March 2000 there were 30 employees of this company participating in The Social Housing Pension Scheme, as noted above, which is a defined benefit scheme based on final pensionable salary.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2000 £'000	1999 £'000
Other interest receivable from deposits	<u>2,877</u>	<u>4,926</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2000	1999
	£'000	£'000
On bank loans and overdrafts:		
Repayable within 5 years	2,431	2,419
Repayable wholly or partly in more than 5 years	35,403	34,831
On other loans:		
Repayable within 5 years	654	938
Repayable wholly or partly in more than 5 years	6,960	6,798
	<u>45,448</u>	<u>44,986</u>
On discounted bonds:		
Interest paid	305	305
Amortisation of discount	61	55
	<u>45,814</u>	<u>45,346</u>
Less: Capitalised interest	<u>(2,048)</u>	<u>(1,363)</u>
	<u>43,766</u>	<u>43,983</u>

**9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2000	1999
	£'000	£'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation:		
Tangible fixed assets	6,595	989
Auditors' remuneration:		
In their capacity as auditors	78	71
In respect of other services	115	164
(Surplus) on disposal of tangible fixed assets other than housing properties	(43)	(53)
Payments under operating leases		
Office equipment	44	60
Housing properties	1,009	687

The auditors' remuneration in respect of other services includes PAYE, VAT and corporation tax advice, special needs and low cost home ownership scheme audit fees and the audit of grants and returns.

**10. TAXATION**

	2000	1999
	£'000	£'000
United Kingdom corporation tax at 30% (1999: 31%):		
Current period	15	96
Over/(under) provision in respect of prior years	-	-
	<u>15</u>	<u>96</u>

A deferred asset exists in both the Group and in NBH, but in line with SSAP 15, this has not been recognised in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**11. TANGIBLE FIXED ASSETS**

	Total Housing Properties (Note 12) £'000	Total Other Fixed Assets (Note 13) £'000	Total  £'000
<b>Cost</b>			
At 1 April 1999 (as restated)	1,400,343	23,545	1,423,888
At 1 October 1999 at acquisition	101,106	1,991	103,097
Additions	111,272	4,830	116,102
Disposals	(24,751)	(958)	(25,709)
<b>At 31 March 2000</b>	<b><u>1,587,970</u></b>	<b><u>29,408</u></b>	<b><u>1,617,378</u></b>
<b>Less : SHG and other capital grants</b>			
At 1 April 1999	(799,651)	-	(799,651)
At 1 October 1999 at acquisition	(55,265)	-	(55,265)
Received during year	(32,262)	-	(32,262)
Disposals	12,730	-	12,730
<b>Total grants at 31 March 2000</b>	<b><u>(874,448)</u></b>	<b><u>-</u></b>	<b><u>(874,448)</u></b>
<b>Less: Depreciation</b>			
At 1 April 1999	-	(9,386)	(9,386)
At 1 October 1999 at acquisition	(171)	(1,130)	(1,301)
Charge for year	(4,582)	(2,013)	(6,595)
Eliminated on disposals	38	590	628
Impairment of housing assets	(1,396)	-	(1,396)
<b>At 31 March 2000</b>	<b><u>(6,111)</u></b>	<b><u>(11,939)</u></b>	<b><u>(18,050)</u></b>
<b>Net book value at 31 March 2000</b>	<b><u>707,411</u></b>	<b><u>17,469</u></b>	<b><u>724,880</u></b>
Net book value at 1 October 1999 at acquisition (Note 28)	<u>45,670</u>	<u>861</u>	<u>46,531</u>
Net book value at 31 March 1999 (as restated)	<u>600,692</u>	<u>14,159</u>	<u>614,851</u>

The cost at 1 April 1999 of housing properties as previously reported was £1,400.7 million. A prior year adjustment of £0.4 million has been made as a result of the full implementation of the 1999 SORP and consequent amendments to the capitalisation of development administration overheads.

ES TO THE FINANCIAL STATEMENTS

the year ended 31 March 2000

HOUSING PROPERTIES

	Completed Housing Properties	LSE & Shared Ownership Housing Properties	Housing Properties in the course of Construction	LSE & Shared Ownership Properties in the course of Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
April 1999 (as restated)	1,235,790	101,456	58,549	4,548	1,400,343
October 1999 at acquisition	100,954	-	152	-	101,106
itions	17,314	(658)	83,802	10,814	111,272
s of initial tranche	-	(6,173)	-	-	(6,173)
fer to completed schemes	46,939	6,855	(46,939)	(6,855)	-
fer to sales account on disposal	(13,171)	(5,407)	-	-	(18,578)
<b>March 2000</b>	<b>1,387,826</b>	<b>96,073</b>	<b>95,564</b>	<b>8,507</b>	<b>1,587,970</b>

	£'000	£'000	£'000	£'000	£'000
l housing grant					
April 1999	(692,795)	(60,632)	(21,364)	(1,827)	(776,618)
October 1999 at acquisition	(55,200)	-	(65)	-	(55,265)
ived during year	-	-	(26,075)	(2,550)	(28,625)
fer to completed schemes	(16,740)	(1,425)	16,740	1,425	-
als	9,671	3,051	-	-	12,722
<b>March 2000</b>	<b>(755,064)</b>	<b>(59,006)</b>	<b>(30,764)</b>	<b>(2,952)</b>	<b>(847,786)</b>

	£'000	£'000	£'000	£'000	£'000
capital grants					
April 1999	(21,832)	(51)	(1,150)	-	(23,033)
October 1999 at acquisition	-	-	-	-	-
ived during year	1	-	(3,638)	-	(3,637)
fer to completed schemes	(97)	-	97	-	-
als	8	-	-	-	8
<b>March 2000</b>	<b>(21,920)</b>	<b>(51)</b>	<b>(4,691)</b>	<b>-</b>	<b>(26,662)</b>

<b>grants at 31 March 2000</b>	<b>(776,984)</b>	<b>(59,057)</b>	<b>(35,455)</b>	<b>(2,952)</b>	<b>(874,448)</b>
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grants at 31 March 1999	(714,627)	(60,683)	(22,514)	(1,827)	(799,651)
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	£'000	£'000	£'000	£'000	£'000
eciation					
April 1999	-	-	-	-	-
October 1999 at acquisition	(171)	-	-	-	(171)
ge for year	(4,351)	(231)	-	-	(4,582)
ated on disposal	23	15	-	-	38
arment of housing assets	(1,396)	-	-	-	(1,396)
<b>March 2000</b>	<b>(5,895)</b>	<b>(216)</b>	<b>-</b>	<b>-</b>	<b>(6,111)</b>

<b>ook value at 31 March 2000</b>	<b>604,947</b>	<b>36,800</b>	<b>60,109</b>	<b>5,555</b>	<b>707,411</b>
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ook value at 31 March 1999 (as restated)	521,163	40,773	36,035	2,721	600,692
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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**12. HOUSING PROPERTIES (CONTINUED)**

	2000	1999 restated
Housing properties comprise:	£'000	£'000
Freehold	1,304,086	1,142,772
Long leasehold	283,884	257,571
	<u>1,587,970</u>	<u>1,400,343</u>
Total accumulated SHG received and receivable at 31 March	2000	1999
	£'000	£'000
Revenue grants	7,743	5,456
Capital grants	847,786	776,618
	<u>855,529</u>	<u>782,074</u>

SHG is only repayable on the sale of the property to which it relates.

Property costs include an apportionment of staff time directly spent on the administration of development activities £3,231,024 (1999 restated: £3,144,583) (note 40).

Additions to housing properties in the course of construction during the year included capitalised interest of £2,048,420 (1999: £1,362,734).

**13. OTHER FIXED ASSETS**

	Motor Vehicles £'000	Furniture and Equipment £'000	Freehold Offices £'000	Office Properties Long Leasehold £'000	Short Leasehold £'000	Total £'000
<b>Cost</b>						
At 1 April 1999	2,577	9,576	10,720	403	269	23,545
At 1 October 1999 at acquisition	285	559	26	1,121	-	1,991
Additions	518	2,092	2,080	108	32	4,830
Disposals	(638)	-	(320)	-	-	(958)
<b>At 31 March 2000</b>	<u>2,742</u>	<u>12,227</u>	<u>12,506</u>	<u>1,632</u>	<u>301</u>	<u>29,408</u>
<b>Less: Depreciation</b>						
At 1 April 1999	(1,128)	(5,782)	(2,169)	(163)	(144)	(9,386)
At 1 October 1999 at acquisition	(193)	(292)	(21)	(624)	-	(1,130)
Charge for year	(471)	(1,178)	(332)	(20)	(12)	(2,013)
Eliminated on disposal	493	-	97	-	-	590
<b>At 31 March 2000</b>	<u>(1,299)</u>	<u>(7,252)</u>	<u>(2,425)</u>	<u>(807)</u>	<u>(156)</u>	<u>(11,939)</u>
<b>Net book value</b>						
<b>At 31 March 2000</b>	<u>1,443</u>	<u>4,975</u>	<u>10,081</u>	<u>825</u>	<u>145</u>	<u>17,469</u>
<b>At 31 March 1999</b>	<u>1,449</u>	<u>3,794</u>	<u>8,551</u>	<u>240</u>	<u>125</u>	<u>14,159</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**FIXED ASSETS - INVESTMENTS**

	2000 £	1999 £
Cost at 1 April	8,418,069	571,027
Cost at 1 October 1999 on acquisition (Note 28)	164,000	-
Additions in year	5,866,415	7,918,372
Repayments in year	(105,423)	(71,330)
Cost at 31 March	14,343,061	8,418,069
Revaluation surplus (Note 29)	159,000	728,000
Valuation at 31 March	<u>14,502,061</u>	<u>9,146,069</u>
External loans and cash deposits	14,378,038	9,146,046
Other shares	124,023	23
	<u>14,502,061</u>	<u>9,146,069</u>

The external loans and cash deposits are as follows:-

Funds from the European Coal and Steel Community which are lent on by East British Housing Association to local authorities for the benefit of workers in the coal and steel industries.

An investment in a sinking fund account is held in trust for the Group and charged in favour of The Housing Finance Corporation (HFC), to be used for the repayment of the 7% Debenture 2009. The investment is shown at valuation.

Investments in Debt Servicing Reserves are held in trust for the Group by the Prudential Trustee Company as security against the 6.625% Eurobond 2038, and by Abbey National Treasury Services as security against a fixed rate loan of £80 million. The reserves equate to one year's payment of interest and principle and are shown at valuation.

The Grace Gillett Trust represents £56,000 cash deposits and share capital valued at £124,000 held by the Group from a request to support a particular scheme. The cash deposits are held in a separate bank account.

**Consolidated investments are analysed as follows:**

	2000	1999
Loans & Cash Deposit £	Share Capital £	Total £
External investments		
Witallfields Cloisters Management Company Ltd	23	23
Sinking Fund Account 7% Debenture Stock 2009	541,103	362,261
Debt Service Reserve £80 million loan	5,098,479	-
Debt Service Reserve 6.625% Eurobond 2038	8,505,704	8,501,611
Local Authority	176,752	282,174
Grace Gillett Trust	56,000	-
	<u>14,378,038</u>	<u>9,146,069</u>

The parent company, Places for People Group Limited does not have any external investments.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**6. INVESTMENTS IN JOINT VENTURE**

	2000 £'000	1999 £'000
<b>Share of assets</b>		
Share of fixed assets	14	20
Share of current assets	<u>132</u>	<u>186</u>
	146	206
<b>Share of liabilities</b>		
Liabilities due within one year or less	(184)	(203)
Liabilities due after more than one year	<u>(1)</u>	<u>(5)</u>
	(185)	(208)
<b>Share of net assets</b>	<u>(39)</u>	<u>(2)</u>

**6. STOCK**

	2000 £'000	1999 £'000
Housing properties for sale	3,125	430
Landscape stock	<u>4</u>	<u>6</u>
	<u>3,129</u>	<u>436</u>

Stock of housing properties comprises acquisition and development expenditure on housing improved for sale and agency schemes in development.

**7. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

The long term debtors are agency leases which relate to housing properties developed for and transferred to other organisations under lease.

	2000 £'000	1999 £'000
Agency leases	<u>11,209</u>	<u>10,215</u>

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	12,142	10,513
Less: Provision for bad and doubtful debts	<u>(5,026)</u>	<u>(4,820)</u>
	7,116	5,693
Posteal grants receivable	9	23
Revenue grants receivable	23	-
undry debtors, prepayments and accrued income	9,107	7,969
Pensions to employees	<u>357</u>	<u>232</u>
	<u>16,612</u>	<u>13,917</u>

**9. CURRENT ASSET INVESTMENTS**

	2000 £'000	1999 £'000
Bank deposits repayable within:-		
One month	15,931	42,760
Between two and three months	<u>6,096</u>	<u>-</u>
	<u>22,027</u>	<u>42,760</u>

TO THE FINANCIAL STATEMENTS

year ended 31 March 2000

EDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
creditors	6,040	5,887
ans and overdrafts	21,097	19,565
ons under finance leases payable within one year	49	-
ation tax	49	96
reditors and accruals	14,328	8,358
nts received on account	8,301	6,988
d income	2,343	1,712
	<u>52,207</u>	<u>42,606</u>

EDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000	1999
	£'000	£'000
ure stocks/bonds	224,000	224,000
nted Bonds (Note 23)	3,256	3,195
g and bank loans	403,119	317,432
d financing (Note 22)	<u>(5,666)</u>	<u>(5,520)</u>
	624,709	539,106
<u>Financial liabilities</u>		
ons under finance leases	76	-
ng capital grant funds	6,970	4,339
al Proceeds Fund	<u>281</u>	<u>285</u>
	632,036	543,731
payable within one year	<u>(20,894)</u>	<u>(10,762)</u>
	<u>611,142</u>	<u>532,969</u>

al value of the loans subject to a guarantee is £119,732,374. These guarantees are provided by Financial Security Assurance, by  
don Borough of Camden and Bath City Council.

ns are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest, from 5.8%-  
%, in instalments.

s of debt and other financial liabilities

are repayable as follows:-

	2000	1999
	£'000	£'000
year or less	20,894	10,762
year or more but less than two years	2,548	20,699
years or more but less than five years	25,464	8,043
than five years		
stalments	456,141	411,240
y instalments	<u>126,989</u>	<u>92,987</u>
	<u>632,036</u>	<u>543,731</u>

# ES TO THE FINANCIAL STATEMENTS

ne year ended 31 March 2000

## DEFERRED FINANCING COSTS

	2000 £'000	1999 £'000
April	5,520	5,299
gage interest	1,037	1,099
fer to income and expenditure account	(891)	(878)
March	<u>5,666</u>	<u>5,520</u>

cordance with the accounting policies set out in note 1, deferred interest is released to the Income and Expenditure  
unt over the period to maturity of each of the loans.

## ANALYSIS OF DISCOUNTED BONDS

	2000 £'000	1999 £'000
ounted bonds Issued:		
Debenture Stock 2009	<u>4,350</u>	<u>4,350</u>
ue at 31 March	<u>4,350</u>	<u>4,350</u>
Deferred interest		
ferred at 1st April	1,155	1,210
nsfer to income and expenditure account	(61)	(55)
red at 31 March	<u>1,094</u>	<u>1,155</u>
alue at 31 March	<u>3,256</u>	<u>3,195</u>

ounted bonds are secured by charges on the assets of the Group.

## PROVISIONS FOR LIABILITIES AND CHARGES

	As at 1 April 1999 £'000	Increase in Provision £'000	Expenditure in year £'000	As at 31 March 2000 £'000
mitted maintenance costs	3,295	479	(2,074)	1,700
sion for restructuring costs	219	-	(122)	97
	<u>3,514</u>	<u>479</u>	<u>(2,196)</u>	<u>1,797</u>

committed maintenance costs relate to work contracted and partially completed at the year end on rented accommodation  
special projects. They represent a legal liability to the Group.

provision for restructuring costs relates to the lease costs of offices no longer used.



ES TO THE FINANCIAL STATEMENTS

the year ended 31 March 2000

REVENUE RESERVES

	2000	1999
	£'000	£'000
April	71,700	61,795
us for the year before designations	8,378	8,946
year adjustment of surplus in the year (note 40)	-	(404)
	<u>80,078</u>	<u>70,337</u>
fers (to) designated reserves	(8,465)	(7,443)
fers from restricted reserves	<u>8,513</u>	<u>8,806</u>
March	<u>80,126</u>	<u>71,700</u>

RESTRICTED RESERVES

	At 1 April	Transfer to Income and Expenditure	Transfer from Income and Expenditure	At 31 March
	£'000	£'000	£'000	£'000
2000				
surplus fund- major repairs	13,799	(14,533)	6,016	5,282
the Gillett Legacy	-	-	4	4
	<u>13,799</u>	<u>(14,533)</u>	<u>6,020</u>	<u>5,286</u>
1999				
surplus fund- major repairs	22,605	(15,352)	6,546	13,799
the Gillett Legacy	-	-	-	-
	<u>22,605</u>	<u>(15,352)</u>	<u>6,546</u>	<u>13,799</u>

surplus income calculated as part of the Rent Surplus Fund (RSF) return, in the manner determined under section 55(3) of the Housing Act 1988 amounted to £6,684,572 (1999:£7,273,611). The Accumulated Rent Surplus Fund for major repairs amounted to £2,669 (1999:£13,799,370).

Grace Gillett Legacy represents a bequest to the Group for future support of a particular scheme.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**27. DESIGNATED RESERVES**

	At 1 April	Transfer to Income and Expenditure	Transfer from Income and Expenditure	At 31 March
	£'000	£'000	£'000	£'000
1999/2000				
Major repairs	20,939	-	7,915	28,854
Tenants services capital assets	8,106	(317)	867	8,656
Defects, litigation and liquidation	1,200	-	-	1,200
Robert Brotherton Award	50	-	-	50
	<u>30,295</u>	<u>(317)</u>	<u>8,782</u>	<u>38,760</u>
1998/1999				
Major repairs	14,049	(1,988)	8,878	20,939
Tenants services capital assets	7,553	(699)	1,252	8,106
Defects, litigation and liquidation	1,200	-	-	1,200
Robert Brotherton Award	50	-	-	50
	<u>22,852</u>	<u>(2,687)</u>	<u>10,130</u>	<u>30,295</u>

**28. ACQUISITION OF BRISTOL CHURCHES HOUSING ASSOCIATION (BCHA)**

Values at date of acquisition	Book Values	Fair Value Adjustments	Fair Values
	£'000	£'000	£'000
Housing fixed assets	45,670	-	45,670
Other fixed assets	861	-	861
Investments	164	-	164
Stock	147	-	147
Debtors	721	-	721
Cash	64	-	64
Creditors : amounts falling due within one year	(5,235)	-	(5,235)
Creditors : amounts falling after more than one year	(26,095)	(302)	(26,397)
	<u>16,297</u>	<u>(302)</u>	<u>15,995</u>

The fair value adjustment relates to the revaluation of the fixed interest housing loans. The negative goodwill arising on acquisition represents the fair value of the assets and liabilities at the date of acquisition, as no consideration was paid. The negative goodwill is amortised over the remaining useful lives of the underlying housing properties, estimated to be 79 years. The amount amortised to 31 March 2000 is £101,234.

	£'000
Consideration paid on acquisition	-
Less : Fair value of assets and liabilities at acquisition	<u>(15,995)</u>
Negative goodwill arising on acquisition	15,995
Less : Amortisation for the period	<u>(101)</u>
Negative goodwill at 31 March 2000	<u>15,894</u>

**29. INVESTMENT REVALUATION RESERVE**

	Listed Investments 2000 £'000	Listed Investments 1999 £'000
At 1 April	728	-
Revaluation (deficit)/surplus	<u>(569)</u>	<u>728</u>
At 31 March	<u>159</u>	<u>728</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**10. FINANCIAL INSTRUMENTS**

The Group's borrowings increased from £539 million to £625 million during the year. The ratio of net loans to tangible assets at cost, after adjusting for the direct costs of fund raising was 37.3% (1999: 34.9%) which is within the strategy target maximum of 50%. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum 1 years cashflow. Cash projections over a 3 year period to continuously monitor future borrowing requirements. The borrowing strategy is to aim over time to contain interest rate risk to within 25% of the loan book, with the Board exercising a strict control over derivative transactions (currently 67% of debt is at fixed rates of interest, whilst further 7% is hedged against adverse rate movements). The Group's investment activity is governed by strict counterparty credit criteria and investment limits, the primary objective being the preservation of capital, as opposed to maximisation of returns.

**Short-term debtors and creditors**

Short-term debtors and creditors have been excluded from all the following disclosures as allowable under FRS13.

**Fair values of financial assets**

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets at 31 March 2000.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available market rates have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cashflows at prevailing interest rates.

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Fixed asset investments	14,502	14,502	9,146	9,146
Current asset investments	22,027	22,027	42,760	42,760
Cash at bank and in hand	13,051	13,051	4,288	4,288
Long term debtors	11,209	11,209	10,215	10,215
Hedging instrument	-	27	-	(380)
	<u>60,789</u>	<u>60,816</u>	<u>66,409</u>	<u>66,029</u>

The Group has an interest rate collar which hedges its exposure to interest rate movements on debt of £40 million. At 31 March 2000 the instrument was marked-to-market at a value of £26,697, reflecting potential income receivable were the Group to unwind the position.

**Financial Assets**

The fixed asset investments exist because the Group is required to maintain a minimum investment against its £100 million 6.625% Eurobond which equates to one year's payment of interest and principal. This investment is held in managed gilt funds charged in favour of the bond Trustees as security for payments pursuant to the Trust Deed. A further debt service reserve is held in cash deposits with Abbey National Treasury Services as security against a loan of £80 million.

In addition to this the Group is required to make annual payments into a sinking fund pursuant to a loan with THFC which matures in 2009. The fund is held in trust in favour of THFC and is also invested in gilts.

**Interest rate risk profile of financial assets**

	2000	1999
	£'000	£'000
Fixed Rate	9,404	9,146
Floating Rate	51,385	57,263
31 March	<u>60,789</u>	<u>66,409</u>

The fixed rate financial assets represent sterling denominated investments in UK treasury gilts. The floating rate financial assets comprise sterling denominated deposits that bear interest rates based on overnight to three months LIBOR.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**30. FINANCIAL INSTRUMENTS (Continued)**

**Fair values of financial liabilities**

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial liabilities at 31 March 2000. The fair values have been calculated in accordance with FRS13, and show the notional effect of marking fixed rate debt to the market rates of tradeable debt instruments at 31 March 2000.

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
10.125% Debenture stock 2018	19,000	25,775	19,000	28,487
8.625% Debenture stock 2016-2020	105,000	131,239	105,000	138,957
6.625% Eurobond 2038	100,000	104,000	100,000	109,880
Housing loans	402,751	402,751	317,432	317,432
Non Housing loans	368	368	-	-
Discounted Bonds	3,256	3,256	3,195	3,195
Recycling capital grant funds	6,970	6,970	4,339	4,339
Disposal Proceeds Fund	281	281	285	285
Obligations under Finance Leases	76	76	-	-
Provisions	1,797	1,797	3,514	3,514
	<u>639,499</u>	<u>676,513</u>	<u>552,765</u>	<u>606,089</u>
Deferred financing	(5,666)	(5,666)	(5,520)	(5,520)
	<u>633,833</u>	<u>670,847</u>	<u>547,245</u>	<u>600,569</u>

**Interest rate risk profile of financial liabilities**

	2000 £'000	1999 £'000
Floating Rate	180,500	186,153
Fixed Rate	431,399	344,412
Index-Linked Rate	27,600	22,200
	<u>639,499</u>	<u>552,765</u>

The weighted average period for which interest rates were fixed was 27.0 years, and the weighted average fixed interest rate was 8.21%.

Of the fixed rate debt £27.4 million relates to loan debt which either revert to floating rate or require refinancing between 2002 and 2007.

The floating rate financial liabilities comprise sterling denominated bank borrowings and overdrafts that bear interest rates based on one to twelve months LIBOR.

**Borrowing Facilities**

As at 31 March 2000, the Group had undrawn committed borrowing facilities expiring as follows:-

	£'000
In one year or less, or on demand	44,600
In more than one year but not more than two years	-
In more than two years	<u>78,000</u>
	<u>122,600</u>

Of the undrawn committed borrowing facilities, £33.4 million requires fixed charge security to be place with lenders, all other facilities are immediately accessible.

**31. RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2000 £'000	1999 £'000 as restated
Operating surplus for the year before interest and taxation	48,398	47,379
Depreciation and impairment	7,991	989
Provisions	(1,717)	(13,411)
(Profit) on sale of other fixed assets	(43)	(53)
(Increase)/decrease in stock and work in progress	(2,546)	2,199
(Increase) in debtors	(1,951)	(594)
(Increase)/decrease in long term debtors	(994)	6,712
Increase/(decrease) in creditors	8,517	(129)
SHG abated	(8,474)	(2,310)
Amortisation of negative goodwill	(101)	-
Revaluation of fixed interest housing loans	(302)	-
Net cash inflow from operating activities	<u>48,778</u>	<u>40,782</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2000

## 32. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2000 £'000	1999 £'000
Increase/(decrease) in cash in the period	17,312	(1,425)
Cash (inflow) from net increase in debt	(59,494)	(111,324)
Cash (inflow) from net increase in debt on acquisition of BCHA	(26,047)	-
Cash (inflow)/outflow from change in liquid resources	(20,164)	28,247
Change in net debt resulting from cashflows	(88,393)	(84,502)
Amortisation of discount	(61)	(55)
Revaluation of investments	(569)	728
	(89,023)	(83,829)
Opening net debt	(500,862)	(417,033)
Closing net debt	(589,885)	(500,862)

## 33. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April £'000	Cashflows £'000	Other non-cash changes £'000	Acquisition of BCHA £'000	At 31 March £'000
Cash at bank and in hand	4,288	8,699	-	64	13,051
Overdrafts	(8,803)	11,923	-	(3,374)	(254)
	(4,515)	20,622	-	(3,310)	12,797
Debt due within 1 year	(10,762)	(9,961)	-	(171)	(20,894)
Debt due after 1 year	(528,345)	(49,533)	(61)	(25,876)	(603,815)
Current asset investments	42,760	(20,164)	(569)	-	22,027
Total	(500,862)	(59,036)	(630)	(29,357)	(589,885)

The cash balance on acquisition of BCHA is represented by the following assets and liabilities.

	BCHA £'000
Housing fixed assets	45,670
Other fixed assets	863
Investments	164
Stock	147
Debtors	721
Creditors- amounts falling due within one year, excluding debt	(1,692)
Debt due within one year	(171)
Creditors - amounts falling due after more than one year, excluding debt	(219)
Debt due after more than one year	(25,876)
Revenue reserves	6,673
Restricted reserves	(161)
Revaluation reserves	(22,809)
	3,310

## ES TO THE FINANCIAL STATEMENTS

he year ended 31 March 2000

### CAPITAL COMMITMENTS

	2000 £'000	1999 £'000
al expenditure that has been contracted for as not been provided for in the financial statements	<u>46,511</u>	<u>58,981</u>
al expenditure that has been authorised by the d of Directors but has not yet been contracted for	<u>47,421</u>	<u>58,764</u>

commitments under non-cancellable operating leases for the following year, analysed according to the period in which each  
expires are set out below:

	Housing 2000 £'000	Office Equipment 2000 £'000	Housing 1999 £'000	Office Equipment 1999 £'000
he year or less	208	6	145	3
een one and two years	58	13	221	9
een two and five years	-	17	316	32
he years or more	-	5	89	-
	<u>266</u>	<u>41</u>	<u>771</u>	<u>44</u>

housing operating leases relate to housing leased from private landlords under the Housing Association as Managing Agents  
(A) initiative. The HAMA project is currently being wound up with the majority of the stock being decommissioned by March 2001.  
office operating leases relate to leased photocopiers, franking machines and similar equipment.

### CONTINGENT LIABILITIES

31 March 2000, NBH had a contingent liability totalling £1,000,000 (1999: £1,000,000) in respect of its entire holding of 8 3/4%  
sury stock 2017. The stock is held by the Trustee for Funding for Homes Limited, subject to certain rights, and could be sold should a  
y group borrower fail to service the interest or repay the stock.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**5. HOUSING STOCK**

	2000	1999
<b>Accommodation in management</b>		
Housing Accommodation	41,534	38,405
Hostels	556	479
Shared Ownership	4,766	4,800
Managed for others	<u>601</u>	<u>443</u>
	47,457	44,127
<b>Accommodation owned but managed by others</b>		
Managed by others	1,644	1,751
<b>Total</b>	<u><u>49,101</u></u>	<u><u>45,878</u></u>

Details of the amounts payable to third parties in respect of Supported Housing Management Grant are given in note 39.

**6. AVERAGE ASSURED TENANCY RENT FOR GENERAL NEEDS ACCOMMODATION FUNDED BY SOCIAL HOUSING GRANT**

	<b>Group</b>	
	2000 £	1999 £
Average assured tenancy rent	<u>54.45</u>	<u>48.59</u>
	%	%
Percentage increase in assured tenancy rent	<u>3.81</u>	<u>5.13</u>

The average assured tenancy rent for 2000 includes those tenancies for Bristol Churches Housing Association Limited acquired during the year.

**7. ANALYSIS OF HOUSING ACCOMMODATION SERVICE CHARGES ELIGIBLE FOR HOUSING BENEFIT**

	2000	1999
The average weekly housing accommodation service charge eligible for housing benefit	£5.02	£3.78
Percentage eligible for housing benefit	95.36%	95.94%
The average weekly housing accommodation service charge not eligible for housing benefit	£0.28	£0.16
Percentage not eligible for housing benefit	4.64%	4.06%

# NOTES TO THE FINANCIAL STATEMENTS

the year ended 31 March 2000

## AMOUNTS PAYABLE IN RESPECT OF SUPPORTED HOUSING MANAGEMENT GRANT

Under the Registered Social Landlords Accounting Requirements General Determination 1998, the Group is required to disclose details of amounts received in respect of Supported Housing Management Grant from the Housing Corporation, which have been passed on to third parties. Due to the number of bodies involved, the schedule below details the largest payments, and summarises the remainder.

Supported Housing Management Grant payable in respect of accommodation managed by third parties:

	Supported Housing Management Grants	
Managing Body	2000	1999
	£	£
Midway	181,553	181,554
Creative Support Ltd	160,063	136,472
Encap	126,033	124,423
Integrate	118,539	118,276
Life Houses	94,000	-
Stol Cyrenians	85,000	-
Forstep of Hull	75,037	74,830
Making Space	73,474	74,220
Orton Housing Association	68,684	54,912
Orcare	55,913	55,914
Priority Youth Housing	53,000	-
and	50,971	50,914
Other managing bodies to whom grant of less than £50,000 is paid	1,278,345	918,479
	<u>2,420,612</u>	<u>1,789,994</u>
Total number of units	1,114	806



ces for People Group (formerly The North British Housing Group)

**NOTES TO THE FINANCIAL STATEMENTS**  
the year ended 31 March 2000

**PRIOR YEAR ADJUSTMENT**

conciliation of previously reported total capital and reserves as at 31 March 1999

	£'000
al reserves as previously reported	116,926
or year adjustment to surplus in the year 1998/99	(404)
stated total capital and reserves at 31 March 1999	<u>116,522</u>

the prior year adjustment relates to a change in accounting policy as a result of the full implementation of the 1999 SORP and consequent amendments to the capitalisation of development administration overheads. No prior year adjustment has been calculated for years earlier than 1998/99, and accumulated revenue reserves at 1 April 1998 have not been adjusted.

**RELATED PARTY TRANSACTIONS**

There is a tenant on the Board of Places for People Group Limited. The tenancy is on normal commercial terms, and they cannot use this position to their advantage.

**DISCLOSURE OF GROUP ACTIVITY**

Places for People Group Limited is the parent company of the Group and is required by statute to prepare consolidated accounts. All the group bodies are incorporated in England and Wales.

Special General Meetings held on 8 March 2000, shareholders of each Group body approved the following name changes:

North British Housing Limited formerly The North British Housing Association Limited  
New Leaf Supporting Independence Limited formerly The North British (Third) Housing Association Limited  
Co Limited formerly Kingdomwide Developments Limited  
erom properties limited formerly Kingdomwide Limited  
gdomwide Developments Limited formerly North British Retirement Homes Limited

	Subsidiaries of Places For People Group Limited	Subsidiaries of North British Housing Limited	Subsidiary of JVCo Limited	Housing Associations registered with the Housing Corporation	Bodies incorporated under the Industrial & Provident Societies Act 1965	Companies incorporated under the Companies Act 1985
North British Housing Limited	*			*	*	
New Leaf Supporting Independence Limited	*			*	*	
Stol Churches Housing Association Limited	*			*	*	
Co Limited	*					*
North British Housing Trust	*					*
erom properties limited		*				*
st British Housing Association Limited		*			*	
North British Urban Renewal Limited		*				*
een Homes Limited		*				*
gdomwide Developments Limited		*				*
North British Retirement Housing Association Limited		*			*	
North British (First) Housing Society Limited		*			*	
North British Landscapes Limited			*			*

group bodies are incorporated in England and Wales.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2000

**42. DISCLOSURE OF GROUP ACTIVITY (CONTINUED)**

**Nature of Places for People Group Bodies Activities**

**North British Housing Limited**

North British Housing Limited is a not-for-profit organisation whose primary business is the provision of rented housing at affordable rents for those in most need. In addition, the Association provides housing and related services for people with special needs, and develops low-cost housing for sale.

**New Leaf Supporting Independence Limited**

New Leaf Supporting Independence Limited is engaged in the development and management of rented accommodation. It will in the future support relevant activities to ensure the future funding of Care and Support services to tenants.

**Bristol Churches Housing Association Limited**

Bristol Churches Housing Association Limited is engaged in the development and management of rented accommodation.

**JVCo Limited**

The Company was set up with the primary aim of developing property for the purpose of sale. During the year, the properties were sold to North British Housing Limited. The Company is now setting up partnerships with other organisations to make a wider contribution to the communities where the Group works.

**North British Housing Trust**

The Trust's objectives are to assist in the provision of housing for persons who are in necessitous circumstances and are deserving of assistance in the meeting of their housing needs.

**43. FIXED ASSETS - INVESTMENTS OF PLACES FOR PEOPLE GROUP LIMITED**  
(FORMERLY THE NORTH BRITISH HOUSING GROUP LIMITED)

	2000
Ordinary share capital of JVCo Limited	£
Cost at 1 April	-
Additions in year	100
At 31 March	<u>100</u>

**44. CAPITAL CONTRIBUTION OF PLACES FOR PEOPLE GROUP LIMITED**  
(FORMERLY THE NORTH BRITISH HOUSING GROUP LIMITED)

	2000
	£
Capital Contribution	<u>100</u>

This represents a capital contribution from North British Housing Limited of a fixed asset investment of 100 ordinary shares in JVCo Limited.