Financial Statements

for the year ended 31 March 2007

The Riverside Group

Transforming lives, revitalising neighbourhoods

The Riverside Group

Financial Statements

for the year ended 31 March 2007

The Riverside Group Limited

Company number: 4091048 Limited by guarantee

Contents

Innovative approaches

Highlights - five year summary

For the year ended 31 March		**2007**	2006	2005	2004	2003
Income and expenditure account						
Turnover	£'000	**176,162**	122,680	110,215	111,705	77,101
Operating surplus	£'000	**16,824**	21,159	22,322	24,068	19,100
Surplus on ordinary activities before tax	£'000	**6,103**	14,322	16,474	14,324	6,561
Balance sheet						
Tangible assets	£'000	**1,589,833**	832,959	770,720	723,473	686,513
Loans repayable after more than one year	£'000	**508,493**	272,227	240,970	214,952	221,613
Reserves designated	£'000	**54,372**	51,101	44,239	44,503	39,107
income and expenditure	£'000	**62,770**	54,051	44,512	39,041	30,349
consolidation	£'000	**161,038**	—	—	—	—
Accommodation figures						
Total housing stock, owned and managed	Units	**53,955**	40,579	39,071	38,384	40,075
Statistics						
Interest cover (surplus before interest payable, depreciation & impairment divided by net interest payable)		**1.7**	2.2	2.3	2.2	1.7
Gearing (long term loans as % of Social Housing Grant plus reserves excluding consolidation reserve)	%	**48.1**	52.5	49.4	43.2	46.9
Voids and bad debts as % of rent and service charge receivable	%	**3.4**	2.8	3.1	5.6	5.0
Rent arrears (rent arrears divided by net rent and service charges receivable multiplied by 365 days)	Days	**21.5**	15.9	15.8	17.1	29.3

All figures have been extracted from current and prior years' audited financial statements.

Investing in communities

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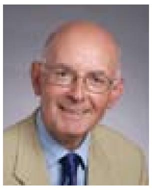
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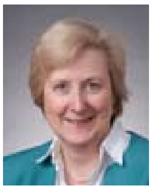
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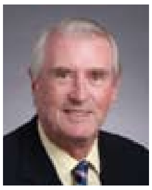
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The Board, Executives and Advisors

President

1. K Clifford Cook OBE KStJ FCA

The Board of The Riverside Group Limited

GROUP CHAIRMAN
2. Professor J N Tarn OBE DL FRIBA

GROUP VICE CHAIRMAN
3. P Brant LLB BL

GROUP TREASURER
4. P R Deyes BCom FCA

MEMBERS
5. P J Chesters MA
6. J H Guile HND
7. S G Povall FRICS
8. A J Redmond BA(Hons) ACA
9. Y Turgut MSc FCA

Group Directors

GROUP CHIEF EXECUTIVE
10. D F Shackleton MA(Oxon) FCIH FRSA MAPM*

GROUP DEPUTY CHIEF EXECUTIVES
11. J E Baggaley BA(Hons) FCA*
12. D A Jepson BA(Hons) MBA*

GROUP DIRECTOR – SUBSIDIARIES
13. J Heverin MSc DPA FCIH

GROUP DIRECTOR OF CORPORATE SERVICES
14. J D McLelland MBA HND (resigned 31 July 2006)
15. R Clawson BSc(Hons) (appointed 2 November 2006)

MANAGING DIRECTOR RIVERSIDE HOUSING
16. J R W Wood BSc(Hons) FIH

GROUP FINANCE DIRECTOR
17. S J Morris BSc(Hons) ACA

CHIEF EXECUTIVE ECHG
(Not pictured)
P Walters BA(Hons) MPhil MCIOH* (appointed 30 October 2006, resigned 23 March 2007)

MANAGING DIRECTOR ECHG
18. D Caren BSc MA MBA CQSW* (appointed 10 April 2007)

* Co-opted Board Members

Registered auditors

KPMG LLP
St James' Square
Manchester
M2 6DS

Principal solicitors

BRABNERS CHAFFE STREET
1 Dale Street
Liverpool
L2 2ET

TROWERS & HAMLIN
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Principal bankers

NATIONAL WESTMINSTER BANK PLC
22 Castle Street
Liverpool
L69 2BE

Secretary and Registered Office

L F Hughes BA(Hons) CertCIH
Solicitor
2 Estuary Boulevard
Estuary Commerce Park
Liverpool
L24 8RF

Registered Numbers

Company Limited by Guarantee
Company Number: 4091048
Housing Corporation Registered Number: L4294

Group Chairman's statement

Transforming lives

The last year has witnessed some of the most significant and exciting changes in Riverside's history. Our shape, size and geographical coverage have been transformed as we have welcomed, firstly, Riverside North East (formerly Newcastle and Whitley Housing Trust) into the Group, and then in November 2006, English Churches Housing Group (ECHG). We now provide services to over 50,000 households in nearly 200 local authority areas and for the first time we can rightly consider ourselves to be a truly national provider.

One of the consequences of this growth is that I have had the privilege of welcoming two new Boards into the Group, and we are already seeing the benefits of the additional skills and new perspectives that they bring. Recently the ECHG Board has overseen a major review of supported housing services, and a similar reassessment of services for older people is in progress; we are confident that this will equip ECHG to cement its place as one of the country's leading specialists in housing support for some of the most vulnerable in our society. On a personal note I have been pleased to welcome Pam Chesters, ECHG's Chair, onto the Group Board, bringing an additional dimension to our decision making.

All of these changes have been taking place against a backdrop of a major rethink within the sector. For the first time in many years, Government has been asking, "What is social housing for?". We have contributed to two major Government commissioned reviews. Firstly, Professor Hills' review of social housing "Ends and Means: The Future Roles of Social Housing in England", and latterly the Cave review of social housing regulation, "Every Tenant Matters". We now see affordable housing perched at the very top of the political agenda as the Brown Government strives to meet the emerging national crisis of supply.

Whilst the policy consequences are only beginning to emerge, we can see that the 'tectonic plates are shifting'. We too must rise to these challenges and ask ourselves what is the role of Riverside, one of the largest housing association groups, in meeting the housing supply needs of the nation? How can we help our tenants improve their opportunities for better chances in life?

One of our defining characteristics has been our flexibility – our ability to be fleet-footed and adapt and align ourselves to the challenges of the day in ways which have enabled us to prosper to the benefit of an increasing number of customers. We have done this by being able to adapt our infrastructure to provide the right organisational architecture. This process continues. It is in this context that I have commissioned a major review of financial governance to ensure that we are able to maximise the collective financial strength of the Group to the benefit of all of our residents. Options are emerging for the organisational development of the Group and we have started a consultation process with Boards. The aim is to ensure a balance is maintained between efficiency and value for money on one side and local accountability and responsiveness on the other. The debate will continue over the months to come as we try and establish a mutual consensus, but it is clear that in a rapidly changing world we must be decisive about the future shape of the Group.

Whilst we can design effective organisational structures, it is the contributions of individual Board members working for a common purpose which really makes the difference. I have been delighted by the enthusiasm and commitment that Board members across the Group have made to what is an increasingly demanding role. Our Board member training programme has continued apace, and last year we introduced a new, more systematic appraisal process for Board members, facilitating a two way review of skills and developmental needs. It is right for us to expect a lot from our non-executive Board members, and I am impressed by the time, support, and sound judgement so freely given. However feedback suggests that the rewards more than compensate – the satisfaction of touching the lives of thousands of customers, or, as our new vision puts it, 'Transforming lives, revitalising neighbourhoods'.

In the mean time our staff have been tirelessly getting on with the day job. Despite major structural changes we have made steady progress on all fronts: we are well on course to meet the Decent Homes Standard for all of our sustainable stock; we are making steady progress in improving customer services, as we attempt to move on from our 2 star 'good' status to achieve true service excellence; we continue to deliver 450 new affordable homes each year, within the demanding partnership framework developed by The Housing Corporation; and we continue to be at the forefront of neighbourhood management initiatives which improve the local environment, make the streets safer and give real chances and opportunities to young people.

We can be proud of our achievements as a Group. We have grown and adapted. However, we know that some of the biggest tests lie ahead. Changes to the very nature of social housing may be just around the corner. Whatever the circumstances, I am confident that our Boards and staff are equipped to move the Group forward to make a major contribution to tackling the nation's housing challenges.

John Tarn
Group Chairman

Revitalising communities

Group Chief Executive's report

Providing high quality services

The year to 31 March 2007 has been a remarkable year for the Riverside Group, one that has seen a step change in our scale of operation.

We know, however, that organisational scale is not as important as the quality and value of services delivered, so our drive for excellence in customer service must be relentless. We have been making steady progress since achieving the Audit Commission's seal of approval as an organisation with 'good' services and 'promising' prospects for improvement. However we needed a clear framework for achieving a step change in customer services and last year we launched 'Raising the Roof', the Riverside Excellence Programme. This is probably the most ambitious programme of cultural change in the organisation's history. It will pave the way for a more comprehensive approach to customer focus training for all staff. 'Raising the Roof' will find ways of mainstreaming approaches which differentiate a truly excellent service from a good one, so that 'going the extra mile' becomes an instinctive response for all staff.

One of the things I have witnessed is a huge commitment to tackling the anti-social behaviour caused by a small minority of people, but which can have such a stifling effect on our local communities. The Group is committed to the Government's 'Respect' standard for housing management and we have equipped staff to deliver our promises by providing the first training course in managing ASB to be accredited by the Open College Network. At local level, staff and residents have adopted innovative approaches, some of which have attracted national attention. Amongst many examples of local good practice, we have seen community-led projects in Wirral and St. Helens win Home Office 'Respect' Awards, and we have hosted 'Respect' awareness days in Berrybridge and Bowlee Park. These initiatives are making a real impact on the ground with crime and instances of ASB measurably falling in areas such as Rock Ferry (Wirral) and Kensington (Liverpool), where staff have received police commendations for their work.

One of the measures of an excellent organisation is how it responds in times of crisis, particularly when the health and safety of our tenants are at risk. Recently our Sandwell staff reacted decisively to a massive power failure in a tower block, securing emergency accommodation in local hotels and working through the night to reinstate power supplies. We are all aware of the challenges of long term climate change, and our ability to respond to local emergencies will inevitably be put to the test more frequently. I am confident that our staff have the skills, initiative and flexibility to rise to these challenges.



Affordable housing is now at the top of the political agenda. We have seen steep house price rises spread out of the south of the country to engulf all of our operational areas. So as we look ahead, there are few bigger challenges than increasing the supply of decent affordable housing, both for rent and sale. It is within this context that I am pleased to report that The Riverside Partnership has again been selected as one of The Housing Corporation's development partners for the National Affordable Housing Programme 2008-11. We are watching the emergence of Communities England (the national new homes agency) with interest, however it is clear that the Government is expecting housing associations with development programmes to dig deeper into their own resources to fund affordable housing growth. There are some difficult choices ahead if we want to rise to this challenge in the face of rising costs and constrained income. We will need to find the appropriate balance between investment in new homes and investment in existing stock, and between improved core services and community investment initiatives which add so much value.

It hardly seems a year since we welcomed Newcastle and Whitley Housing Trust into the Group as Riverside North East, and yet in that period of time we have seen our Newcastle-based subsidiary go from strength to strength, extending its area of operations well beyond its original Tyneside boundaries, as well as continuing to deliver improved homes and services in challenging areas such as Newcastle's West End.

At the end of October 2006, after 2 years of planning, ECHG joined the Riverside Group. This was immediately followed by a massive process of integration to ensure that the benefits anticipated from the merger are achieved. New business structures were put in place, systems were rolled out and hundreds of members of staff undertook intensive training. At times this was a difficult process. Pressure has been felt right across the Group, both in our operational business units and our corporate services teams. However the response of staff has been magnificent and I have felt great pride in the way by have coped with unprecedented change. The two organisations merged because both Boards were convinced that merger would allow the development of improved services for tenants of both organisations. The new, larger Group is now well set to deliver on its vision of 'Transforming lives, revitalising neighbourhoods'.

We know that new and improved homes are not enough to guarantee decent neighbourhoods – the sort of places that people want to live in for generations to come. I believe that the key to this is the development of mixed communities which ensure local people have the life chances to "get on", so that they can support good quality local services and invest in their homes and neighbourhoods. This is why we are supporting initiatives which maximise local employment, benefit take up and financial inclusion. We are now helping the Government deliver its 'Lets Talk Money' campaign in Carlisle and the North East through employing specialist advisors to promote credit unions and other financial inclusion measures amongst residents living in our neighbourhoods. We have also developed innovative new products to encourage affordable home ownership and responsible lettings in areas of housing market stress on Merseyside through two new exciting pilots 'Brownstones' and 'OwnPlace', which will encourage economically active households to move back into vulnerable neighbourhoods and invest in empty properties.

So we can look back at the past year as a year of exceptional achievement in which we have expanded our areas of operation and the nature of the services we offer to our customers. I believe that we can build on our successes, and harness and embed the skills and commitment of our people to become a truly excellent national provider of local services.

Deborah Shackleton
Group Chief Executive

Operating and financial review

Investing in the future

Principal Activities

The Riverside Group Limited is the ultimate parent entity of the Riverside Group. The Group consists of eight Registered Social Landlords (RSLs), providing general needs housing at affordable rents, low cost home ownership, sheltered and supported housing and services for people who need additional housing related support. These subsidiaries also promote regeneration and provide investment in the communities in which they operate. There are non-RSLs within the Group including property investment and management companies, along with commercial trading companies and joint ventures which seek to make profits to contribute to the overall aims of the Group. The Group also contains charitable trusts and technical subsidiaries.

Objectives and strategies

The current Group Corporate Plan contains five key result areas, listed below, each with a main strategic objective to help drive the Group towards its vision, 'Transforming lives, revitalising neighbourhoods':

- Customer Focus - by 2009 achieve sustainable three star status with the Audit Commission.
- New Business - aim to remain one of the top 10 RSLs in the country in terms of scale and aim to have 20% of turnover from non-discretionary sources.
- Asset Management - focus the activities of the Group in neighbourhoods where the organisation can have a significant impact.
- Finance - secure a position in the top quartile of an efficiency rating of the Housing Corporation or a similar benchmark.
- Communication - ensure that internal and external communication is effective across all the Group's activities.

These and other objectives filter down via a 'golden thread' through subsidiary and departmental annual plans to staff level, with individuals' progress being measured as part of the appraisal system.

Operating review

During the year the Riverside Group was subject to an Audit Commission inspection and was awarded two stars with promising prospects for improvement.

The year to 31 March 2007 saw a significant increase in scale as Newcastle and Whitley Housing Trust joined the Group at the start of the financial year, opting to change its name to Riverside North East Limited (RNE), thus extending the Group's presence into the north east of England. The merger with English Churches Housing Group Limited (ECHG), which followed at the end of October has expanded the Group's operations to a national level.

On joining the Riverside Group, ECHG has retained its name and has focused on its core specialism of providing supported and sheltered housing to vulnerable tenants. Management and long-term responsibility for ECHG's general needs properties has been transferred to Riverside Housing

Association (RHA), and similarly management and long-term responsibility for RHA's sheltered and supported properties has been transferred to ECHG. This has been achieved by entering into agreements whereby management responsibility and beneficial ownership of these properties is transferred. The recipient is responsible for all outgoings in relation to the properties (other than in respect of any loans secured on them) and entitled to all income deriving from the properties including any proceeds of sale, net of historic cost.

In order to ensure the effective management of properties a number of staff members have transferred from ECHG to RHA and vice versa.

During the year, RHA successfully appealed to the House of Lords in relation to a legal challenge on historic rent increases. As a result the provision of £7.5 million held pending the outcome of this case has been released, as disclosed in note 29 of these financial statements.

Improvement of our housing stock remains a priority and during the year the Group spent a total of £111.1 million on its new and rehabilitated stock (2006: £80.8 million). A further £61.6 million (2006: £48.2 million) was spent on routine maintenance and non-capitalised major repairs across the Group.

All this expenditure, together with investment in wider community regeneration was targeted in line with the Group's neighborhood investment strategies, designed to deliver the sustainable communities which are essential to the maintenance of the housing stock and therefore the strength of the balance sheet. In addition, the Group remains focused on the 2010 Decent Homes target.

Performance in the period

Group turnover for the year to 31 March 2007 increased by 43.6% to £176.2 million (2006: £122.7 million). Of this increase, £34.6 million is due to the RNE and ECHG mergers, with the balance of £18.9m being principally the impact of a full year of operation of RHA's Private Finance Initiative contract with Sandwell Metropolitan Borough Council and organic growth across the other Group subsidiaries.

Operating surplus reduced to 9.6% of turnover at £16.8 million (2006: £21.1 million), impacted by costs directly related to the ECHG merger. More details on the financial impact of both ECHG and RNE are disclosed in note 21.

The financial statements include £1.3 million turnover and £0.2 million operating loss from the Group's joint venture activities, all of which are in the early stages of development.

Void losses were 2.2% of gross rent receivable in the year, up slightly from 2.0%. Bad debt write-offs increased to 1.2% from 0.8%, linked to the increase on arrears, up to 21.5 days from 15.9 days. These increases are related to the merger activity during the year.
The surplus before tax for the year was £6.1 million (2006: £14.3 million). Contributing to this was an increase in the surplus of sale of property at £12.4 million (2006: £10.2 million). Net interest payable has increased to £22.9 million (2006: £16.9 million).

The major movements on the Group's consolidated balance sheet are:

- An increase in fixed assets of £397.1 million, of which £354.9 million relates to the fair value of the fixed assets brought into the Group by RNE and ECHG, the balance being related to the ongoing investment in housing stock.
- A reduction in debtors greater than one year of £29.7 million as a result of the ongoing stock investment by the stock transfer subsidiaries and Community Seven. This reflects a reduction in the obligation of the respective local authorities to carry out improvement works to housing stock transferred to Riverside.
- An increase in long term loans of £236.3 million, of which £198.9 million relates to the fair value on merger of RNE and ECHG loans. The balance relates to the increase in borrowing across the group to finance improvement to the housing stock.
- A reduction in provisions and liabilities of £42.4 million. £29.7 million of this relates to a reduction in the outstanding commitments the stock transfer subsidiaries and Community Seven have to carry out improvement works on behalf of their respective local authority

Regenerating neighbourhoods

in relation to the properties transferred to Riverside. The balance relates to the release of the provision relating to the successful appeal to the House of Lords and a reduction in the pension scheme deficit.

- The creation of a consolidation reserve due to the negative goodwill arising on the mergers, which after amortisation stands at £161.0 million.

Trends in performance over the last five years are shown on page 3 of these financial statements.

Dynamics of the Group

The Group faces a number of key risks that could impact on future performance, some of which are referred to elsewhere in the annual report. Other examples include:

- Income restriction due to rent restructuring.
- The availability of, and increased competition for, social housing grant.
- Increased expectations from customers, including the need to deal with anti-social behaviour.
- Impact of the recent growth and the associated national geographic spread.
- Curtailment of HMR.
- Change in the supporting people income regime.
- Requirements to fund future pension liabilities.
- Stock in unsustainable areas due to climate change.
- Changes to Decent Home Standards and Eco-homes ratings.

Wherever possible, the Group has allocated actions to attempt to mitigate these risks as part of the annual risk management process.

Investment for the future

The Group's annual surplus is vitally important for a number of reasons: continued investment in improved services and new homes; meeting commitments to lenders; raising further finance; providing protection against the unexpected and allowing further growth and diversification. This diversification of the Group's activities brings not only the benefit of alternative revenue streams, but also the opportunity for greater efficiency and economies of scale.

The Group has continued its focus on establishing efficiency as one of the five strategic objectives of the Group's Corporate Plan.

Financial review

The principal accounting policies of the Group are set out in note 1 to the financial statements. There have been no changes in accounting policy during the year.

The mergers with RNE and ECHG have been accounted for via the use of acquisition accounting and gave rise to £163.9 million of negative goodwill. The details are provided in note 21 to the financial statements.

Capital structure and treasury policy

Effective treasury risk management is crucial both to financial performance and balance sheet stability, and is operated centrally in accordance with Board approved objectives and operating parameters, which are set out in the Group Treasury Policy and the treasury strategy of each subsidiary. Key issues that the treasury strategies seek to address are funding and liquidity risk, interest rate risk, covenant compliance and exposure to counterparties. The Group borrows at both fixed and floating interest rates, and uses derivative instruments to manage its exposure to interest rate fluctuations.

The treasury strategies are carefully tailored to meet the needs of the individual subsidiaries and the overall Group, are tested by business plan sensitivities and evolve through a process of regular review and refinement. Regular updates on all treasury activities are given to the Group Finance Committee.

Group borrowings total £515.2 million (2006: £276.8 million), the increase being as a result of the mergers, the continuing development programme in RHA and the progressing improvement programmes in the stock transfer subsidiaries. New debt drawn in the year totalled £61.8 million (2006: £37.5 million). Interest costs increased to £26.0 million (2006: £17.7 million), but the average rate of interest paid in the year increased to 5.8% from 5.5%, despite base rate increases of 75 basis points during the financial year, demonstrating, in part, the effectiveness of the Group's treasury management. Gearing decreased to 48.2% (2006: 52.5%), whilst interest cover fell to 1.7.

The Group has £156.3 million of unutilised, committed borrowing facilities. Each of the stock transfer subsidiaries has a committed facility covering the life of their business plan.

The Group has commenced a major review of financial governance, which will allow the Group to maximise the financial strength of the whole Group for the benefit of all its members and tenants and ensure that the financial structure of the Group is appropriate for both its size and complexity.

Going concern

After due consideration, the Board is confident that the Riverside 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 Riverside Group's financial statements.

Statement of Compliance

The form and content of the operating and financial review has been prepared in line with the recommended practice provided by the Statement of Recommended Practice 'Accounting for Registered Social Landlords' (Updated 2005). The statement has also been prepared in accordance with Reporting Standard 1: 'Operating and Financial Review'.

Simon Morris
Group Finance Director

Developing new opportunities

Report of the Board

The Board is pleased to present its report and the audited consolidated financial statements for the year ended 31 March 2007.

Principal activity

The Riverside Group Limited is a company limited by guarantee and a Registered Social Landlord, and is the ultimate holding company within a group structure ('the Riverside Group'). Details of members of the Riverside Group are given on page 37 of these financial statements.

The Riverside Group Limited exercises control over the members of the Riverside Group through the provision, in the rules or articles of association of each entity, for the appointment and removal of a majority of the subsidiary Board.

The Riverside Group Limited is responsible for establishing the Riverside Group's overall policies and strategies, for monitoring compliance with group values and performance against group targets, within a clearly defined framework of delegation and system of control.

The Riverside Group Limited oversees the work of the Riverside Group, providing a number of corporate services to group members. The operational relationship between The Riverside Group Limited and its subsidiary undertakings is managed through a series of intra-group agreements. The principal activity of the Riverside Group is the provision of affordable rented accommodation and appropriate support services for people in need.

Review of business and future developments

The review of business and future developments is discussed in the Group Chairman's statement, the Group Chief Executive's report and the operating and financial review on pages 6 to 13.

The Board of Directors

The Board of Directors of The Riverside Group Limited are listed on page 5.

The Directors holding office during the period 1 April 2006 to 11 July 2007 are detailed below:

- P Brant LLB BL
- P J Chesters MA (appointed 31 October 2006)
- P R Deyes BCom FCA
- J H Guile HND
- S G Povall FRICS
- A J Redmond BA(Hons) ACA
- Professor J N Tarn OBE DL FRIBA
- Y Turgut MSc FCA

In accordance with the rules, P Brant, P J Chesters, S G Povall and J N Tarn retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

Executive Directors

Whilst the Board is responsible for the Riverside Group's overall policy and strategy, management is delegated to the Group Chief Executive. The Group Directors are the senior management team appointed, and act as executives within the authority delegated by the Board. They meet every two months under the chairmanship of the Group Chief Executive in order to consider all matters that will be reported to The Riverside Group Limited Board and its subsidiary Boards, and all major management issues. This meeting is a key decision making forum for the management of the Riverside Group, reviewing all proposed policy changes and the comparative performance of subsidiaries and divisions, and also assessing the management implications of decisions taken by members of the Riverside Group.

The Group Directors hold no interest in the share capital of any member of the Riverside Group.

Corporate governance

The Board is committed to integrity and accountability in the stewardship of the Riverside Group's affairs. The National Housing Federation (NHF) Code of Governance is a Riverside Group policy requirement underpinning all governance issues. The Riverside Group complies with the NHF Code of Governance except that, to allow an appropriate balance between renewal and continuity, the Chair of the Board may be requested to extend his or her service as Chair for a limited period; and that, to promote a culture of openness, Audit Committees within Riverside meet with paid staff present. In addition, the Group Chief Executive is appraised by the Group Chairman.

The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2007. More information about the level of fees paid for this work is set out in note 9 to the financial statements.

The Group Audit Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

Corporate role of the Board

The Board comprises 8 non-executive Board members, including one tenant, together with the Group Chief Executive, the Group Deputy Chief Executives and the Managing Director of ECHG, who are all co-opted members.

Terms of reference are issued to the Board. Board members act in the interest of the Riverside Group and not on behalf of any interest group.

The principal obligations of the Board to the Riverside Group are:

- to be committed to the values and objectives of the Riverside Group
- to develop strategy and drive the Riverside Group's core policies
- to uphold the NHF Code of Governance
- to represent the Riverside Group and enhance its profile externally

The Board is drawn from a wide background and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision making process of the Board. A system of annual appraisal is being implemented, both in relation to individual members and the Board as a whole.
The Board meets formally 6 times a year for regular business, including approval of the Budget and Business Plan.

Board members also attend an annual conference to discuss future strategy.

Also in attendance at Board meetings are the Group Directors and the Assistant Company Secretary.

Reporting to the Board are the Group Membership Committee, the Group Finance Committee, the Group Audit Committee and the Remuneration Committee.

Group Membership Committee

The Group Membership Committee considers Board appointments, including co-options, and submits recommendations to the Board. A range of recruitment techniques is used to secure a wide choice of candidates for vacancies on the Board, including advertising externally. It comprises Professor J N Tarn (Chair), P Brant, P R Deyes and B Lawlor.

Group Finance Committee

The Group Finance Committee is a non-executive committee and meets four times a year. Its members are P R Deyes (Chair), N A Fletcher and Professor J N Tarn. It recommends to the Board the adoption of the annual financial statements, and oversees the raising of finance.

Group Audit Committee

The Group Audit Committee is a non-executive committee and meets four times a year, addressing internal and external audit issues. Its members are A J Redmond (Chair), P R Deyes, N A Fletcher, J H Guile, and M D Taylor.

Remuneration Committee

The Remuneration Committee is a non-executive committee. Its members are Professor J N Tarn (Chair), The Reverend T R Martin, P R Deyes, J Green and A J Redmond. It agrees the appointment of Group Directors and their remuneration, after taking external advice. The Directors are not present at the meeting when their salaries are determined. It also agrees the brief within which the Group Chief Executive can negotiate staff salaries with the union, Unite. The Committee takes specialist human resources advice from external consultants.

Internal controls assurance

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2007 and to the date of approval of these financial statements. The Board complies with the requirements set out in Housing Corporation Circular R2-25/01 Internal Controls Assurance ('the Circular'). This statement of compliance with the Circular has been reviewed by the auditors and their report is given on page 18. For the year ended 31 March 2007, the Board can make the following statement required by the above Circular:

- The Board is the ultimate governing body and is responsible for the Group's system of internal control.

- The system is designed to provide the Board with reasonable but not absolute assurance that problems are identified on a timely basis and dealt with appropriately; that assets are safeguarded against unauthorised use or disposition; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.

- The identification of major business risks, and the appropriate response, is ongoing through a bottom up risk management process that involves staff across the Group. This process has been in place for the year ended 31 March 2007 and to the date of approval of these financial statements. Risk maps are reviewed by the Group Directors and approved by the appropriate Boards.

- On reviewing the effectiveness of the Group's system of internal control, the Board has considered the following:
    - Management reports on operational and financial matters
    - Key performance indicators
    - Management assurances on internal controls
    - Risk management activities
    - Internal audit reports (including Fraud and Loss Register)
    - Quality management systems
    - External audit reports
    - External regulatory reports

- Group policies which have been established in the following areas have been adopted throughout the Group by all Registered Social Landlord subsidiaries:
    - Equality & diversity
    - Finance (including Anti-fraud)
    - Human Resources Management
    - Customer Care & Information
    - Health & Safety
    - Procurement
    - Risk Management
    - Growth
    - Environment

  In addition, guidance has been issued on appropriate policies for detailed housing management procedures.

  Two subsidiaries that were new to the Group in 2006/07 (English Churches Housing Group Limited and Riverside North East Limited), have adapted or are in the process of adapting their existing policies and procedures in the above mentioned areas, where necessary, to conform to those of the Riverside Group as part of the ongoing process of transition.

- The Riverside Group has a written code on business ethics which sets out guidelines for all staff to ensure the highest standards of conduct in business dealings and this has been adopted throughout the Group.

- During the year, there were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

Statement of the Board's responsibilities

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

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

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

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

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

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

The Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Employees

The Riverside Group's policy is to consult directly with employees through regular team meetings and through negotiation and consultation with the union, Unite. Additional information is given through internal communication systems. The Riverside Group operates a system under which the salary increase of all staff is determined by performance. Emphasis is placed on training for all staff using both internal and external facilities to encourage staff in personal development.

Suitable procedures are in operation to support the Riverside Group's policy that disabled persons shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Equality and diversity

The Riverside Group's policies reflect its commitment to equality and the value it places on diversity in all aspects of its work.

Financial contributions to housing related work

Contributions by the Riverside Group to housing related work during the year totalled £2,025 (2006: £1,437). No donations for political purposes were made during the year.

Policy on payment of creditors

In the absence of any dispute, the Riverside Group's policy is to pay non-development invoices within 30 days of the date of approval of the invoice. Development creditors, paid under certificate, are settled within 21 days of the valuation date.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the financial statements.

Post balance sheet events

The Board confirm that there have been no events since the financial year end that have had a material effect on the financial position of the Group.

Single European currency

The accounting system is capable of accommodating the Euro.

Tenant involvement

The Board actively encourages tenants' involvement in decision making by promoting more formal mechanisms of tenant involvement.

There is one tenant Board member and clear reporting arrangements have been established between tenant associations and the Board. There is a clear complaints policy that is issued to all tenants.

Investment Power

The Company's Memorandum permits investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Status

The Riverside Group Limited is a company limited by guarantee, incorporated under the Companies Act 1985 and is registered with The Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996.

Annual General Meeting

The Annual General Meeting will be held on 29 September 2007.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of The Riverside Group Limited will be proposed at the Annual General Meeting.

J N Tarn
Chairman
11 July 2007

Report of the independent auditors

to the members of The Riverside Group Limited

We have audited the financial statements of The Riverside Group Limited (the Group) for the year ended 31 March 2007 which comprise the primary statements, the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the Board and auditors

As described on page 16, the Group's Board is responsible for the preparation of the Board report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the requirements of the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Board Report is consistent with the audited financial statements.
We also report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 March 2007 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Board Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
St James' Square
Manchester
M2 6DS

Group income and expenditure account

for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Turnover: Group and share of joint venture	12	**177,470**	123,708
Less: share of joint venture turnover	12	**(1,308)**	(1,028)
Group turnover	2	**176,162**	122,680
Operating costs	2	**(159,338)**	(101,521)
Group operating surplus	2	**16,824**	21,159
Share of operating profit in joint ventures		**(167)**	(146)
Surplus on sale of property	6	**12,406**	10,206
Surplus on ordinary activities before interest	9	**29,063**	31,219
Interest receivable and other income	7	**3,172**	795
Interest payable and similar charges	8	**(26,038)**	(17,692)
Surplus on ordinary activities before tax		**6,197**	14,322
Taxation	10	**(94)**	(75)
Share of joint venture taxation		**(34)**	39
Surplus for the year		**6,069**	14,286
Income and expenditure account at 1 April 2006		**54,051**	44,512
Surplus for the year		**6,069**	14,286
Transfer to reserves	20	**(12,695)**	(12,699)
Transfer from reserves	20	**9,424**	5,837
Amortisation of negative goodwill	20	**3,286**	—
Actuarial gain	27	**2,635**	2,115
Income and expenditure account at 31 March 2007		**62,770**	54,051

All of the above results derive from continuing operations.

There is no material difference between the surplus on ordinary activities before tax and the surplus for the year as reported, and their historical cost equivalent

The notes on pages 24 to 57 form an integral part of the financial statements.

There are no historical cost surpluses or deficits other than those recognised within the income and expenditure account.

Statement of total recognised surpluses and deficits

for the year ended 31 March 2007

	Notes	**2007 £'000**	2006 £'000
Surplus for the financial year		**6,069**	14,286
Actuarial gain on pension scheme	20	**2,635**	2,115
Recognised on acquisitions	20	**164,324**	—
Total recognised surpluses relating to the year		**173,028**	16,401
Prior period adjustment	20	**—**	(11,188)
Total recognised since last annual report		**173,028**	5,213

Reconciliation of movement of funds

for the year ended 31 March 2007

		2007 £'000	2006 £'000
Total recognised surpluses		**173,028**	16,401
Total funds at 1 April 2006		**105,152**	88,751
Total funds at 31 March 2007	20	**278,180**	105,152

The notes on pages 24 to 57 form an integral part of the financial statements.

Group balance sheet

as at 31 March 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	11		**1,589,833**		832,959
Social Housing Grant	11		**(794,181)**		(430,875)
Investments	12		**25,121**		21,596
Investment in joint venture					
Group share of gross assets of joint venture	12	**1,498**		713	
Group share of gross liabilities of joint venture	12	**(1,393)**		(395)	
			105		318
			820,878		423,998
Debtors greater than one year	13		**93,668**		123,346
Current assets					
Investments	12		**9,719**		11,088
Debtors	13		**44,999**		21,819
Properties for sale	14		**14,824**		9,424
Cash at bank and in hand			**4,658**		—
			74,200		42,331
Creditors: amounts falling due within one year	15		**(96,736)**		(62,905)
Net current liabilities			**(22,536)**		(20,574)
Total assets less current liabilities			**892,010**		526,770
Creditors: amounts falling due after more than one year	16		**516,353**		281,656
Deferred income	19		**472**		524
Provisions for liabilities and charges	29		**97,005**		139,438
Capital and reserves					
Non-equity share capital	1		**—**		—
Consolidation reserve (negative goodwill)	20		**161,038**		—
Designated reserves	20		**54,372**		51,101
Income and expenditure account	20		**62,770**		54,051
			892,010		526,770

The financial statements on pages 19 to 57 were approved by the Board on 11 July 2007 and were signed on its behalf by:

- J N Tam, Group Chairman
- P R Deyes, Group Treasurer
- L F Hughes, Secretary

The notes on pages 24 to 57 form an integral part of the financial statements.

Group cash flow statement

for the year ended 31 March 2007

	2007		2006	
	£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities (note 22)		**38,931**		28,166
Returns on investments and servicing of finance				
Interest received	**2,288**		829	
Interest paid	**(21,786)**		(18,049)	
Net cash (outflow) from returns on investments and servicing of finance		**(19,498)**		(17,220)
Taxation				
Tax paid		**(252)**		(157)
Capital expenditure and financial investment				
Cash paid for housing construction	**(62,377)**		(40,770)	
Cash paid for other fixed assets	**(4,701)**		(3,098)	
Cash paid/received for fixed asset investments	**(1,296)**		926	
Investment in joint ventures	**—**		(198)	
Expenditure on capitalised improvements	**(48,699)**		(40,076)	
Social Housing Grant received	**19,353**		9,582	
Receipts from property sales	**16,027**		13,481	
Sales of initial tranche	**12,853**		7,745	
Cash paid for developments for sale	**(5,514)**		(7,510)	
Net cash (outflow) from capital expenditure and financial investment		**(74,354)**		(59,918)
Management of liquid resources				
Decrease in short term deposits	**3,169**		12,575	
Net cash outflow from management of liquid resources		**3,169**		12,575
Net cash (outflow) before financing		**(52,004)**		(36,554)
Acquisitions				
Net cash acquired with subsidiaries		**(1,475)**		—
Financing				
Loans raised	**61,822**		37,499	
Loan principal repayments	**(1,948)**		(6,045)	
Net cash inflow/(outflow) from financing		**59,874**		31,454
Increase/(decrease) in cash (note 24)		**6,395**		(5,100)

The notes on pages 24 to 57 form an integral part of the financial statements.

Company income and expenditure account

for the year ended 31 March 2007

	Notes	**2007 £'000**	2006 £'000
Turnover		**12,204**	11,344
Operating costs		**(12,190)**	(11,261)
Surplus on ordinary activities before interest	2	**14**	83
Interest receivable	7	**81**	17
Interest payable	8	**(33)**	(9)
Surplus before tax		**62**	91
Taxation	10	**—**	(59)
Surplus for the financial year		**62**	32
Income and expenditure account at 1 April 2006		**190**	52
Actuarial gain		**67**	106
Income and expenditure account at 31 March 2007		**319**	190

There is no material difference between the surplus on ordinary activities before tax and the surplus for the year as reported, and their historical cost equivalent.

All of the above results derive from continuing operations.

Company balance sheet

for the year ended 31 March 2007

	Notes	**2007 £'000**	2006 £'000
Fixed assets			
Tangible assets	11	**2,139**	1,772
Investment in joint ventures		**175**	175
		2,314	1,947
Current assets			
Debtors	13	**2,608**	1,601
Cash at bank and in hand		**—**	—
		2,608	1,601
Creditors: amounts falling due within one year	15	**(4,024)**	(2,684)
Net current liabilities		**(1,416)**	(1,083)
Total assets less current liabilities		**898**	864
Creditors falling due after more than one year		**175**	175
Provisions for liabilities and charges	29	**404**	499
Capital and reserves			
Non-equity share capital	1	**—**	—
Income and expenditure account		**319**	190
		898	864

The notes on pages 24 to 57 form an integral part of the financial statements.
The Riverside Group Limited is a company limited by guarantee.

Notes to the financial statements*

for the year ended 31 March 2007

**All notes relate to the Riverside Group unless otherwise stated.*

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom Accounting and Financial Reporting Standards and the Statement of Recommended Practice for Registered Social Landlords issued in 1999, revised in 2005. The financial statements are in accordance with the Companies Act 1985, The Housing Act 1996 and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Basis of consolidation

The financial statements are group statements and consolidate the financial statements of The Riverside Group Limited and its subsidiary undertakings. The financial statements have been prepared in accordance with FRS2 Accounting for Subsidiary Undertakings.

The consolidated income and expenditure account includes the results of the Group's equity interests and results of the Group's joint ventures in accordance with FRS9 Associates and Joint Ventures.

Details of subsidiaries and joint ventures are included in note 12 to the financial statements.

Supported housing

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

Supporting People Contract Income

Supporting People contracts are entered into with local authorities. There are two types:

(i) A block subsidy is determined for each tenancy based on support services provided (note 3).

(ii) A block gross contract is a fixed sum payable based upon the number of qualifying bed spaces, subject to minimum occupancy levels as agreed with local authorities (note 2).

Turnover

Turnover comprises rental and service charge income receivable, certain revenue grants from local authorities and the Housing Corporation, together with other income.

Turnover of The Riverside Group Limited mainly comprises of the recharge of salaries and other overheads.

Turnover of the joint ventures comprises the receipts from the sale of sustainable housing components and other income.

Retirement benefits

The Group operates a group pension scheme and contributes to local government pension schemes and the Social Housing Pension Scheme

(SHPS), all providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group also contributes to defined contribution schemes.

The assets of the pension schemes are measured using market values. The liabilities of the pension schemes are measured using a projected unit method discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

Due to the nature of SHPS, it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. As a result, no surplus or deficit is included in the financial statements and the accounting charge for the period is represented by the employer contribution payable.

Excluding SHPS, the surpluses of the pension schemes (to the extent that they are recoverable) or deficits are recognised in full. The movements in the schemes' surpluses/deficits are included in the income and expenditure account and shown in the statement of total recognised gains and losses, under the heading actuarial gains and losses.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of housing land and properties comprises purchase price together with incidental costs of acquisition and improvements, including related administration charges.

Depreciation and impairment

Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following rates:

- Housing properties (newbuild) over 100 years to residual value
- Housing properties (rehabilitated) over 50 years to residual value
- Freehold and long leasehold offices over 15 years to residual value
- Fixtures and fittings over 10 years
- IT equipment over 3 to 5 years
- Setting up costs (included within housing properties) over 10 years
- Leasehold improvements over the term of the lease

Assets in the course of construction are held at cost and are not depreciated until reclassified as housing properties completed. Housing properties are principally properties available for rent. Cost includes the cost of acquiring the land and buildings, development costs and expenditure incurred in respect of improvements.

An annual impairment review of housing properties is undertaken in accordance with FRS11, and where appropriate the carrying value is adjusted to take account of permanent diminutions in value.

Shared ownership properties are included in housing properties at cost less the first tranche sale proceeds and any provisions for depreciation and impairment.

Amortisation of goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the indentifiable net assets acquired over the fair value of the consideration given and is included in reserves.

Negative goodwill is recognised in the income and expenditure account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

Improvements to property

Expenditure incurred on general repairs to housing properties is charged to the income and expenditure account in the year in which it is incurred.

Expenditure on improvements to existing housing properties which will generate increased future rents or otherwise add to the value is capitalised as part of the cost of the properties.

Pre-contract costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance Initiative are recognised as expenses incurred up to the date of announcement of preferred bidder. Where the Group is successful in attaining preferred bidder status, those costs that are incurred after attaining preferred bidder status and are directly attributable to the contract are recognised as an asset.

Properties for sale

Completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other capital subsidies, the cost of these developments has been reduced by the amount of the grant received. SHG received in excess of current development costs is shown as a current liability.

SHG received for items of cost written off in the income and expenditure account is matched against those costs. When properties are demolished, with the intention of redevelopment, a contingent liability is recognised related to the repayment of SHG.

If a property is sold, SHG may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital cost of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Investments

Fixed asset investments are stated at historic cost.

Current asset investments listed on the London Stock Exchange are stated at cost. Money market deposits are also stated at cost. Investment properties are carried at the lower of cost and net realisable value, and in accordance with SSAP19 Accounting for Investment Properties are revalued annually.

Liquid resources

Liquid resources are readily disposable current asset investments, which include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity, or by giving notice of more than one working day.

Value Added Tax

The Riverside Group is partially exempt in relation to value added tax (VAT), and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the balance sheet. Irrecoverable VAT is accounted for in the income and expenditure account.

Leased assets

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

Work in progress

Work in progress on developments for sale is stated at the lower of cost and net realisable value.

Loan issue costs and interest payable

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.

Loan interest payable is charged to the income and expenditure account at the relevant rates based on the carrying amount of the debt.

Designated reserves

These represent reserves earmarked for a specific use and are not part of free reserves.

Derivatives

The Group applies the provisions of FRS13 in the treatment of financial instruments and derivatives. The Group uses interest rate swaps to reduce exposure to future increases in interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight line basis and adjusted against interest payable on loans.

Non-equity share capital

The Riverside Group Limited is a company incorporated under the Companies Act 1985, being limited by guarantee and not having a share capital. In the event of a winding up, the liability of individual members to contribute towards the liabilities of the company shall not exceed £1.

2 Turnover, operating costs and operating surplus

2007

	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**146,708**	**—**	**(130,794)**	**15,914**
Other social housing activities				
Supporting people contract income	**1,727**	**—**	**(308)**	**1,419**
Development costs not capitalised	**—**	**—**	**—**	**—**
Management services	**997**	**—**	**(764)**	**233**
Community regeneration	**—**	**—**	**(3,757)**	**(3,757)**
Other	**19,626**	**—**	**(17,368)**	**2,258**
	169,058	**—**	**(152,991)**	**16,067**
Non-social housing activities				
Lettings	**2,578**	**—**	**(1,330)**	**1,248**
Developments for sale	**4,268**	**(4,760)**	**—**	**(492)**
Other	**258**	**—**	**(257)**	**1**
	7,104	**(4,760)**	**(1,587)**	**757**
Total	**176,162**	**(4,760)**	**(154,578)**	**16,824**

2006

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	106,574	—	(89,834)	16,740
Other social housing activities				
Supporting people contract income	351	—	(311)	40
Development costs not capitalised	—	—	(129)	(129)
Management services	939	—	(768)	171
Community regeneration	—	—	(3,204)	(3,204)
Other	7,411	—	(2,592)	4,819
	115,275	—	(96,838)	18,437
Non-social housing activities				
Lettings	2,671	—	(999)	1,672
Developments for sale	4,494	(3,535)	—	959
Other	240	—	(149)	91
	7,405	(3,535)	(1,148)	2,722
Total	122,680	(3,535)	(97,986)	21,159

3 Income and expenditure from social housing lettings

	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2007 Total £'000**	2006 Total £'000
Income from lettings						
Rent receivable net of identifiable service charges	102,436	18,436	1,477	2,602	**124,951**	99,891
Income for support services	51	9,013	—	—	**9,064**	1,034
Service charges receivable	3,437	8,067	—	—	**11,504**	6,324
Gross rental income	105,924	35,516	1,477	2,602	**145,519**	107,249
Void loss	(2,377)	(873)	—	—	**(3,250)**	(2,141)
Net rental income	103,547	34,643	1,477	2,602	**142,269**	105,108
Housing Corporation grants for major repairs	3,057	—	—	—	**3,057**	1,441
Other revenue grants	40	1,342	—	—	**1,382**	25
Turnover from lettings	106,644	35,985	1,477	2,602	**146,708**	106,574
Expenditure on lettings						
Management	(28,473)	(14,479)	—	(231)	**(43,183)**	(26,465)
Services	(5,772)	(8,515)	(651)	(292)	**(15,230)**	(9,131)
Routine maintenance	(42,929)	(5,824)	—	(28)	**(48,781)**	(37,097)
Major repairs expenditure	(12,782)	—	—	(13)	**(12,795)**	(11,138)
Bad debts	(1,270)	(430)	—	—	**(1,700)**	(841)
Depreciation of housing properties	(8,875)	(97)	(133)	—	**(9,105)**	(5,162)
Other costs	—	—	—	—	**—**	—
Operating costs on lettings	(100,101)	(29,345)	(784)	(564)	**(130,794)**	(89,834)
Operating surplus on social housing lettings	6,543	6,640	693	2,038	**15,914**	16,740

Particulars of turnover from non-social housing lettings

	2007 £'000	2006 £'000
Student accommodation	**975**	970
Market rent	**1,603**	1,701
	2,578	2,671

4 Directors' emoluments

The Directors are defined for the purpose of this note as the members of the Board and Group Directors of The Riverside Group Limited. Directors appointed after the end of the financial year are not included in the disclosure. This satisfies the definition included in the Accounting Requirements for Registered Social Landlords General Determination 2006. The Group Directors do not receive any chargeable benefits in kind other than company cars. The emoluments of the Directors are set out below.

	2007 £'000	2006 £'000
Emoluments (including pension contributions and benefits in kind)	**1,150**	937
Termination payments	**124**	—
Total emoluments	**1,274**	937
Highest paid Director - Group Chief Executive		
Emoluments (excluding pension contributions)	**207**	166
Accrued annual pension at year end	**42**	33
Expenses reimbursed to Directors not chargeable to income tax	**7**	5

The 2007 figures include additional payments in the form of one-off bonuses paid to several Directors (including £20,000 to the Group Chief Executive).

The number of Directors who received emoluments (excluding pension contributions) in the following ranges was:

	2007 Number	2006 Number
£Nil	**3**	3
£1 — £5,000	**—**	2
£5,001 — £10,000	**2**	2
£10,001 — £15,000	**1**	—
£15,001 — £20,000	**1**	—
£35,001 — £40,000	**1**	—
£45,001 — £50,000	**1**	—
£65,001 — £70,000	**1**	—
£90,001 — £95,000	**—**	2
£95,001 — £100,000	**—**	2
£100,001 — £105,000	**1**	—
£105,001 — £110,000	**1**	—
£110,001 — £115,000	**1**	1
£125,001 — £130,000	**—**	1
£135,001 — £140,000	**1**	—
£150,001 — £155,000	**1**	—
£165,001 — £170,000	**—**	1
£205,001 — £210,000	**1**	—
	16	14

Certain Group Directors, including the Group Chief Executive, are required under their contracts of employment to retire at the age of 60; consequently, the benefits provided to them by the Riverside Group Pension Scheme have been amended to reflect this commitment, which is not applicable to any other staff. In all other respects, the Group Chief Executive is an ordinary member of the Scheme. The Group does not make any further contribution to an individual pension arrangement for the Group Chief Executive. Contributions were made to the Riverside Group Pension Scheme at a rate of 17.5% of pensionable salary in 2007 (2006: 17.5%). This applies to all staff including Group Directors. Further details on the Scheme are given in note 27 to the financial statements.

5 Employee information

Staff numbers
The average number of persons (including the Group Directors) employed during the year was (full time equivalent):

	2007 Number	2006 Number
Office staff	**885**	773
Wardens, caretakers, cleaners and maintenance staff	**664**	233
	1,549	1,006

Staff costs (for the above persons)	**2007 £'000**	2006 £'000
Wages and salaries	**37,278**	21,220
Social security costs	**2,997**	1,662
Other pension costs	**3,719**	2,562
	43,994	25,444

Staff costs and numbers referred to above relate to all staff employed by the Riverside Group, including wardens, but excludes staff costs and numbers employed by the managing agents at supported housing schemes.

6 Surplus on sale of property

	2007 £'000	2006 £'000
Proceeds of sales	**23,272**	25,340
Cost of sales	**(10,866)**	(15,134)
Surplus on sale of property	**12,406**	10,206

7 Interest receivable and other income

	Group	
	2007 £'000	2006 £'000
Bank and other interest receivable	**3,105**	735
Income from listed investments	**67**	60
	3,172	795
	Company	
Bank and other interest receivable	**81**	17

8 Interest payable and similar charges

	Group	
	2007	2006
	£'000	£'000
Bank loans and overdrafts	**20,492**	12,243
Other loans	**4,829**	4,807
Other interest payable	**717**	642
	26,038	17,692

	Company	
	2007	2006
	£'000	£'000
Other interest payable	**33**	9

9 Surplus on ordinary activities

	Group	
Surplus on ordinary activities is stated after charging:	**2007**	2006
	£'000	£'000
Depreciation and impairment charge for the year:		
Housing properties	**10,137**	6,055
Other tangible fixed assets	**2,962**	993
Auditors' remuneration:		
For audit services	**199**	107
For non-audit services		
- tax advisory	**109**	113
- other	**46**	187
Operating lease rentals:		
Land and buildings	**862**	684
Other	**543**	344

	Company	
Surplus on ordinary activities is stated after charging:	**2007**	2006
	£'000	£'000
Depreciation charge for the year:		
Other tangible fixed assets	**381**	240
Auditors' remuneration;		
For audit services	**10**	10
For non-audit services		
- tax advisory	**76**	8
- other	**46**	114
Operating lease rentals:		
Land and buildings	**659**	511
Other	**92**	113

10 Tax on surplus on ordinary activities

	Group	
	2007	2006
	£'000	£'000
Analysis of charge in period		
Current tax charge/(credit)	**94**	161
Deferred tax charge/(credit)	**—**	(86)
	94	75

Factors affecting tax charge for period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	**6,692**	14,322
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**2,008**	4,296
Effects of:		
Expenses not deductible for tax purposes	**96**	10
Depreciation transferred to charitable group company	**—**	—
Profits exempt from tax due to charitable exemption	**(2,014)**	(4,156)
Adjustment to tax charge in respect of previous periods	**(58)**	9
Capital gains covered by indexation	**(1)**	(26)
Utilisation of tax losses not paid for	**(92)**	(27)
Depreciation in excess of capital allowances	**155**	55
Current tax charge	**94**	161

Deferred taxation

The movement in the year is as follows:	**2007**	2006
	£'000	£'000
At the beginning of the year	**61**	146
Charge/(credit) for the year	**—**	(85)
At the end of the year	**61**	61

The elements of the deferred tax asset and amounts not provided are as follows:

	Provided	Unprovided
	£'000	£'000
Difference between accumulated depreciation and capital allowances	**61**	—
Losses	**—**	55
	61	55

10 Tax on surplus on ordinary activities - continued

	Company	
	2007	2006
	£'000	£'000
Analysis of charge in period		
Current tax (credit)/charge	**—**	183
Deferred tax charge/(credit)	**—**	(124)
	—	59

Factors affecting tax charge for period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	**63**	91
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**18**	27
Effects of:		
Depreciation transferred to charitable group company	**—**	—
Adjustment to tax charge in respect of previous periods	**(101)**	32
Expenses not deductible for tax purposes	**77**	58
Depreciation in excess of capital allowances	**155**	92
Capital gains covered by indexation	**—**	(26)
Current tax charge	**149**	183

Deferred taxation

The movement in the year is as follows:	**2007**	2006
	£'000	£'000
At the beginning of the year	**(90)**	34
Charge/(credit) for the year	**—**	(124)
At the end of the year	**(90)**	(90)

The elements of the deferred tax asset and amounts not provided are as follows:

	Provided	Unprovided
	£'000	£'000
Difference between accumulated depreciation and capital allowances	**(90)**	—
Losses	**—**	—
	(90)	—

11 Tangible fixed assets

Group	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Total housing properties held for letting £'000	Social housing properties under construction £'000
Cost				
At 1 April 2006	728,693	8,555	737,248	44,530
Acquisitions	691,632	—	691,632	7,995
Schemes completed	31,134	—	31,134	(31,134)
Additions	6,454	—	6,454	33,099
Disposals	(12,271)	—	(12,271)	(581)
Sales of initial tranche	—	—	—	—
Improvements to existing properties	45,617	—	45,617	4
At 31 March 2007	**1,491,259**	**8,555**	**1,499,814**	**53,913**
Depreciation				
At 1 April 2006	19,698	549	20,247	—
Acquisitions	15,213	—	15,213	—
Charge for the year	7,928	78	8,006	—
Impairment	2,000	—	2,000	—
Eliminated in respect of disposals	(1,544)	—	(1,544)	—
At 31 March 2007	**43,295**	**627**	**43,922**	**—**
Net book value (before SHG) at 31 March 2007	**1,447,964**	**7,928**	**1,455,892**	**53,913**
Net book value (before SHG) at 31 March 2006	708,995	8,006	717,001	44,530
Social Housing Grant				
At 1 April 2006	386,824	1,680	388,504	12,516
Acquisitions	345,609	—	345,609	6,662
Receivable in the year (net)	5,109	—	5,109	11,393
Schemes completed	8,842	—	8,842	(8,842)
Disposals	(7,081)	—	(7,081)	—
Reclassified	774	—	774	—
At 31 March 2007	**740,077**	**1,680**	**741,757**	**21,729**
Net book value (after SHG) at 31 March 2007	**707,887**	**6,248**	**714,135**	**32,184**
Net book value (after SHG) at 31 March 2006	322,171	6,326	328,497	32,014

Within cost of fixed assets, acquisitions of £717.1m includes £569.0m historic cost and a £148.0m fair value adjustment relating to the assets acquired as a result of the mergers with English Churches Housing Group Limited and Riverside North East Limited.

Improvements to existing properties consists of £45.6m capitalised costs in addition to £12.8m non-capitalised improvements, which have been charged to the income and expenditure account.

11 Tangible fixed assets - continued

Group	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total properties £'000	Freehold and long leasehold offices £'000	Fixtures vehicles and computer equipment £'000	Total £'000
Cost						
At 1 April 2006	54,971	7,841	844,590	9,305	4,580	858,475
Acquisitions	—	—	699,627	7,618	9,810	717,055
Schemes completed	22,624	(22,624)	—	—	—	—
Additions	—	15,426	54,979	1,617	2,280	58,876
Disposals	(1,065)	—	(13,917)	(6,910)	(4,540)	(25,367)
Sales of initial tranche	(15,205)	5,298	(9,907)	—	—	(9,907)
Improvements to existing properties	—	—	45,621	—	—	45,621
At 31 March 2007	**61,325**	**5,941**	**1,620,993**	**11,630**	**12,130**	**1,644,753**
Depreciation						
At 1 April 2006	760	—	21,007	2,438	2,071	25,516
Acquisitions	—	—	15,213	417	3,627	19,257
Charge for the year	131	—	8,137	511	2,141	10,789
Impairment	—	—	2,000	310	—	2,310
Eliminated in respect of disposals	—	—	(1,544)	(131)	(1,277)	(2,952)
At 31 March 2007	**891**	**—**	**44,813**	**3,545**	**6,562**	**54,920**
Net book value (before SHG) at 31 March 2007	**60,434**	**5,941**	**1,576,180**	**8,085**	**5,568**	**1,589,833**
Net book value (before SHG) at 31 March 2006	54,211	7,841	823,583	6,867	2,509	832,959
Social Housing Grant						
At 1 April 2006	25,113	4,742	430,875	—	—	430,875
Acquisitions	—	—	352,271	—	—	352,271
Receivable in the year (net)	—	1,403	17,905	—	—	17,905
Schemes completed	2,214	(2,214)	—	—	—	—
Disposals	(563)	—	(7,644)	—	—	(7,644)
Reclassified	—	—	774	—	—	774
At 31 March 2007	**26,764**	**3,931**	**794,181**	**—**	**—**	**794,181**
Net book value (after SHG) at 31 March 2007	**33,670**	**2,010**	**781,999**	**8,085**	**5,568**	**795,652**
Net book value (after SHG) at 31 March 2006	29,098	3,099	392,708	6,867	2,509	402,084

11 Tangible fixed assets - continued

Housing properties and offices include freehold and long leasehold land and buildings as analysed below (net of SHG and depreciation).

	2007	2006
	£'000	£'000
Housing Properties		
Freehold	**776,276**	392,689
Long leasehold	**5,723**	19
	781,999	392,708
Offices		
Freehold	**5,677**	5,318
Long leasehold	**2,408**	1,549
	8,085	6,867

The net book value of tangible fixed assets includes £Nil (2006: £Nil) in respect of assets held under finance leases.

Company	Fixtures and IT equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 April 2006	328	1,721	2,049
Additions	724	24	748
Disposals	—	—	—
At 31 March 2007	**1,052**	**1,745**	**2,797**
Depreciation and Impairment			
At 1 April 2006	105	172	277
Charge in year	207	174	381
Eliminated in respect of disposals	—	—	—
At 31 March 2007	312	346	658
Net book value at 31 March 2007	**740**	**1,399**	**2,139**
Net book value at 31 March 2006	223	1,549	1,772

12 Investments

A. Fixed assets

The principal subsidiary undertakings consolidated within the financial statements as at 31 March 2007, all of which were controlled by The Riverside Group Limited, unless otherwise stated, were as follows:

Name of undertaking	**Nature of undertaking**	**Principal activity**
Berrybridge Housing Limited	Company incorporated and limited by guarantee under the Companies Act 1985	Registered Social Landlord
Bowlee Park Housing Association Limited	Registered Industrial and Provident Society	Registered Social Landlord
Carlisle Housing Association Limited	Registered Industrial and Provident Society	Registered Social Landlord
Community Seven Limited[1]	Registered Industrial and Provident Society	Registered Social Landlord
ECHG (Contracting) Limited[2]	Company incorporated and limited by guarantee under the Companies Act 1985	Design and build service
ECHG (Harrow) Homes plc[3]	Public Limited Company	Property investment
ECHG (Kensington & Chelsea) Homes plc[3]	Public Limited Company	Property investment
ECHG (No 1) Limited[2]	Registered Industrial and Provident Society	Property investment
ECHG Services Limited[2]	Company incorporated and limited by guarantee under the Companies Act 1985	Property management
English Churches Housing Group Limited	Registered Industrial and Provident Society	Registered Social Landlord
Lee Valley Housing Association Limited	Company incorporated and limited by guarantee under the Companies Act1985	Registered Social Landlord
Naylands (51-68) Limited[4]	Company incorporated and limited by guarantee under the Companies Act1985	Property management
Prospect (GB) Limited	Company incorporated and limited by shares under the Companies Act 1985	Property development and investment
Riverside Consultancy Services Limited	Company incorporated and limited by shares under the Companies Act 1985	Design and build services
Riverside Housing Association Limited	Registered Industrial and Provident Society	Registered Social Landlord
Riverside North East Limited	Registered Industrial and Provident Society	Registered Social Landlord
Riverside Regeneration Limited	Company incorporated and limited by shares under the Companies Act 1985	Urban regeneration initiatives
Riverside Urban Services Limited[1]	Company incorporated and limited by guarantee under the Companies Act 1985	Leasing of offices premises
The St Michael's Housing Trust[1]	Charitable Trust	Management of supported housing
Circle Limited[5]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Construction waste recycling
Compendium Group Limited[6]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Strategic urban regeneration and development
Wave Homes Limited[6]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Design and manufacture of sustainable housing systems

For key to numbering, see overleaf.

12 Investments - continued

1 Entity is a wholly-owned subsidiary undertaking of Riverside Housing Association Limited.
2 Entity is a wholly-owned subsidiary undertaking of English Churches Housing Group Limited.
3 Entity is a wholly-owned subsidiary undertaking of ECHG (No 1) Limited.
4 Entity is 76% owned by English Churches Housing Group Limited.
5 Entity is 22.5% owned by The Riverside Group Limited.
6 Entity is 50% owned by The Riverside Group Limited.

(i) Investments in subsidiaries

	Company	
	2007	2006
	£	£
Cost	**655**	652

(ii) Other investments

	Group	
	2007	2006
	£'000	£'000
8¾% Treasury Stock 2017	**259**	259
Charifund	**3,407**	3,407
Investment properties (see (iii) below)	**19,439**	17,930
Investment in Joint Ventures	**105**	318
Other	**2,016**	—
	25,226	21,914

(iii) Investment properties

	Group	
	2007	2006
	£'000	£'000
Cost at 1 April 2006	**17,930**	18,752
Additions	**1,509**	3,276
Disposals	**—**	(4,098)
Cost at 31 March 2007	**19,439**	17,930

The investment properties were revalued at 31 March 2007 giving rise to a revaluation reserve in the financial statements of Prospect (GB) Ltd following the required accounting practice for property development companies. However the Riverside Group policy is to carry all fixed assets at cost, therefore the revaluation has not been included within the consolidated Group financial statements.

B. Current assets

	Group	
	2007	2006
	£'000	£'000
Unit Trusts, Investment Trusts and listed investments on the London Stock Exchange	**2,802**	2,667
Money market deposits and charged bank accounts	**6,917**	8,421
	9,719	11,088

13 Debtors

	Group	
	2007	2006
	£'000	£'000
Amounts falling due after more than one year:	**93,668**	123,346
Amounts falling due within one year:		
Gross rent arrears	**15,244**	7,291
Less: bad debt provision	**(5,560)**	(2,791)
Net rental debtors	**9,684**	4,500
Social Housing Grant receivable	**4,590**	1,074
Other debtors	**24,124**	6,881
Prepayments and accrued income	**6,438**	9,201
Corporation tax	**—**	—
Amount due from joint venture	**163**	163
	44,999	21,819

A debtor of £92.1m (2006: £123.3m) has been established representing the obligation of the local authorities that transferred stock to the Group's stock transfer subsidiaries and Community Seven Limited to have improvement work carried out to the properties. The stock transfer subsidiaries and Community Seven Limited are contracted by the local councils to carry out these improvement works on their behalf.

	Company	
	2007	2006
	£'000	£'000
Amounts owed by Group undertakings	**1,545**	624
Prepayments and accrued income	**804**	804
Corporation tax	**90**	90
Other	**169**	83
	2,608	1,601

14 Properties for sale

	2007	2006
	£'000	£'000
Properties under construction	**13,970**	7,378
Completed properties	**854**	2,046
	14,824	9,424

15 Creditors: amounts falling due within one year

	Group	
	2007	2006
	£'000	£'000
Bank loans (see note 17)	**4,067**	1,457
Other loans	**348**	348
Trade creditors	**4,454**	6,521
Rent and service charges received in advance	**5,393**	2,972
Capital grants received in advance	**7,484**	1,541
Other creditors	**22,247**	12,134
Recycled Capital Grant Fund	**6,112**	2,057
Disposal Proceeds Fund	**134**	253
Accruals and deferred income	**46,291**	33,749
Corporation tax	**206**	136
Bank overdraft	**—**	1,737
	96,736	62,905

Capital grants received in advance will be utilised against the related capital expenditure.

	Company	
	2007	2006
	£'000	£'000
Corporation tax	**—**	151
Amounts owed to group undertakings	**1,302**	23
Other creditors and accruals	**2,507**	2,209
Bank overdraft	**215**	301
	4,024	2,684

16 Creditors: amounts falling due after more than one year

	2007	2006
	£'000	£'000
Long term loans (see note 17)	**508,493**	272,227
Recycled Capital Grant Fund	**7,361**	9,090
Disposal Proceeds Fund	**498**	338
Other	**1**	1
	516,353	281,656

Long term loans are secured by fixed and floating charges on the Riverside Group's properties.

17 Debt analysis

	2007 £'000	2006 £'000
Due within one year		
Bank loans	**4,067**	1,457
Other loans	**348**	348
	4,415	1,805
Due after more than one year		
Bank loans	**462,218**	225,850
Local authority loans	**950**	950
Other loans	**47,660**	47,629
Less finance costs capitalised	**(2,335)**	(2,202)
	508,493	272,227

Housing loans, included in creditors falling due within one year and creditors falling due after more than one year, bear rates of interest at between 5.5% and 11.6%, and fall due for repayment as follows:

Debt maturity profile	2007 £'000	2006 £'000
In one year or less	**4,415**	1,805
Between one and two years	**22,767**	10,652
Between two and five years	**39,811**	26,927
In five years or more	**448,250**	236,850
	515,243	276,234
Less:		
Loans due in one year or less	**4,415**	1,805
Finance costs capitalised	**2,335**	2,202
	508,493	272,227

18 Derivatives and financial instruments

The operating and financial review on page 10 includes an explanation of the role financial instruments have had during the period in managing the risks the Riverside Group faces in its treasury activities.

Financial assets and liabilities
Financial assets and liabilities at 31 March 2007 have book value equal and fair value as detailed below.

	Book Value £'000	Fair Value £'000
Charifund	3,407	8,482
8¾% Treasury stock 2017	259	355
Interest rate swap agreements	—	2,442
Unit trusts, Investment Trusts and listed investments	2,802	3,817
	6,468	15,096

Fixed asset investments are detailed at note 12a (ii). The investment in 8¾% Treasury Stock 2017 is held as a requirement of the loan from Funding for Homes Limited and cannot be disposed of until the loan has been repaid (see note 29). The investment in Charifund is held by virtue of a Board decision to actively provide for the bullet repayment of the loans due to HACO Limited and Funding for Homes Limited in 2017 and 2018 respectively.

The fair value of the interest rate swap agreements at 11 July 2007 was £11.8m in favour of the Riverside Group.

Interest rate risk profile of financial assets
With the exception of the investment of £259,000 (2006: £259,000) in 8¾% Treasury Stock 2017, all investments have variable rates of return. Money market deposits and other cash deposits, all of which are denominated in sterling, bear interest at variable rates based upon LIBOR.

Interest rate risk profile of financial liabilities	**2007 £'000**	2006 £'000
Floating rate	**93,502**	9,864
Fixed rate	**420,791**	265,420
Interest free	**950**	950
	515,243	276,234

The floating weighted rate financial instruments comprise sterling denominated bank borrowings that bear interest at rates based upon LIBOR. The weighted average rate of interest paid on the fixed rate debt during the year is 6.3% and the weighted average of the period for which the interest rates are fixed is 17.4 years.

Borrowing facilities
Undrawn committed borrowing facilities at 31 March 2007 were as follows:

	2007 £'000	2006 £'000
Expiring between 1 and 3 years	**18,800**	45,800
Expiring in more than 5 years	**137,555**	112,955
	156,355	158,755

Of the undrawn committed borrowing facilities, £24.4m requires fixed charged security to be placed with the lender before it can be utilised.

19 Deferred income

Deferred income relates to a receipt of £1.1m arising from the transfer to the Riverside Group of another association's HACO fixed interest debt of £11.0m as compensation for the decrease in long-term interest rates. The balance of £0.5m is released over the remaining life of the loan.

20 Reserves

	Consolidation reserve (negative goodwill) £'000	Charitable reserve (designated) £'000	Programmed repairs (designated) £'000	Income and Expenditure Account £'000	Total £'000
At 1 April 2006	—	—	51,101	54,051	105,152
Surplus for the year	—	—	—	6,069	6,069
Arising on acquisition	164,324	—	—	—	164,324
Transfer from income and expenditure account to reserves	—	625	12,070	(12,695)	—
Transfer to income and expenditure account from reserves	(3,286)	(16)	(9,408)	12,710	—
Actuarial gain on pension scheme	—		—	2,635	2,635
At 31 March 2007	**161,038**	**609**	**53,763**	**62,770**	**278,180**

21 Acquisition of subsidiary undertakings

Riverside North East Limited
On 1 April 2006, Newcastle and Whitley Housing Trust Limited joined the Riverside Group, changing its name to Riverside North East Limited. The transaction has been accounted for as an acquisition.

Set out below are the net assets acquired, consideration paid and negative goodwill arising.

	Book Value	Fair Value Adjustment	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Tangible fixed assets	13,454	24,842	38,296
Debtors	3,114	—	3,114
Cash	50	—	50
Creditors	(14,713)	(585)	(15,298)
Net assets acquired	1,905	24,257	26,162
Consideration			—
Negative goodwill			26,162

The properties have been valued on the basis of Existing Use Value - Social Housing (EUV-SH), as at 1 April 2006 by Drivers Jonas, Chartered Surveyors, who are independent valuers. The value reported was £38.3m. This was calculated using discounted cash flow methodology. For the purposes of these accounts, the fair value of the housing properties is deemed to be their value on the basis of EUV-SH.

Included in the Group income and expenditure account are the following amounts in respect of Riverside North East Limited from the date of acquisition to 31 March 2007.

	£'000
Turnover	4,531
Operating costs	(3,681)
Operating surplus	850
Interest receivable	28
Interest payable	(764)
Surplus on ordinary activities	114

21 | Acquisition of subsidiary undertakings - continued

English Churches Housing Group Limited
On 30 October 2006, English Churches Housing Group Limited joined the Riverside Group. The transaction has been accounted for as an acquisition.

Set out below are the net assets acquired, consideration paid and negative goodwill arising.

	Book Value	Fair Value Adjustment	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Tangible fixed assets	195,136	121,459	316,595
Debtors	7,528	—	7,528
Cash	(2,808)	—	(2,808)
Creditors	(160,888)	(22,680)	(183,568)
Net assets acquired	38,968	98,779	137,747
Consideration			—
Negative goodwill			137,747

The properties have been valued on the basis of Existing Use Value - Social Housing (EUV-SH), as at 30 October 2006 by Drivers Jonas, Chartered Surveyors, who are independent valuers. The value reported was £316.6m. This was calculated using discounted cash flow methodology. For the purposes of these accounts, the fair value of the housing properties is deemed to be their value on the basis of EUV-SH.

Included in the Group income and expenditure account are the following amounts in respect of English Churches Housing Group Limited from the date of acquisition to 31 March 2007.

	Operational Activity	Merger Costs	Total
	£'000	£'000	£'000
Turnover	30,031	—	30,031
Operating costs	(29,831)	(9,471)	(39,302)
Operating surplus	200	(9,471)	(9,271)
Surplus on sale of property	3,364	—	3,364
Interest receivable	2,725	—	2,725
Interest payable	(4,522)	—	(4,522)
Surplus / (deficit) on ordinary activities	1,767	(9,471)	(7,704)

Newhope Housing Co-operative Limited
On 1 February 2007, a transfer of engagements from Newhope Housing Co-operative Limited to Riverside North East Limited took place. The transfer added a further 11 properties to Riverside North East's general needs housing stock and has been accounted for as an acquisition by Riverside North East giving rise to £0.4m of negative goodwill.

22 Reconciliation of operating surplus to net cash inflow from operating activities

	2007 £'000	2006 £'000
Operating surplus	**16,730**	21,159
Depreciation charge	**13,099**	7,048
Deficit on sale of non-housing fixed assets	**5,635**	511
Decrease/(increase) in other debtors and prepayments	**29,919**	26,507
Decrease in other creditors and accruals	**(30,298)**	(26,858)
Increase in rent arrears	**(561)**	(201)
Fixed assets written off	**4,407**	—
Net cash inflow from operating activities	**38,931**	28,166

23 Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year	**6,395**	(5,100)
Increase in loans	**(59,874)**	(31,454)
Movement in liquid resources	**(3,169)**	(12,575)
Change in net debt resulting from cash flows	**(56,648)**	(49,129)
Release of finance costs capitalised	**(8)**	137
Short term deposits acquired with subsidiary	**1,800**	—
Loans acquired with subsidiaries	**(178,994)**	—
	(233,850)	(48,992)
Net debt at 1 April 2006	**(264,681)**	(215,689)
Net debt at 31 March 2007	**(498,531)**	(264,681)

24 Analysis of net debt

	At 1 April 2006 £'000	Cash flows £'000	Other changes £'000	Acquisitions £'000	At 31 March 2007 £'000
Cash at bank and in hand	(1,737)	6,395	—	—	**4,658**
Loans due within one year	(1,805)	1,948	(2,753)	(1,805)	**(4,415)**
Loans due after one year	(272,227)	(61,822)	2,745	(177,189)	**(508,493)**
Current asset investments	11,088	(3,169)	—	1,800	**9,719**
Total	(264,681)	(56,648)	(8)	(177,194)	**(498,531)**

25 Capital commitments

	2007 £'000	2006 £'000
Capital expenditure that has been contracted for but which has not been provided for in the financial statements	**36,869**	27,512
Capital expenditure that has been authorised by the Board but which has not yet been contracted for	**85,993**	206,819

	2007 £'000	2006 £'000
Grants to be generated from the above expenditure contracted not provided for	**12,295**	6,822
Grants to be generated from the above expenditure authorised by the Board	**45,724**	9,680

The remaining commitments will be fully financed from internal cash resources and existing loan facilities as required.

26 Financial commitments

At 31 March 2007 annual commitments under non-cancellable operating leases were as follows:

	Group			
	2007 £'000		2006 £'000	
	Land & Buildings	**Other**	Land & Buildings	Other
Expiring within one year	**571**	**177**	23	52
Expiring between two and five years	**109**	**251**	19	255
In five or more years	**1,240**	**4**	866	46
	1,920	**432**	908	353

	Company			
	2007 £'000		2006 £'000	
	Land & Buildings	**Other**	Land & Buildings	Other
Expiring within one year	**—**	**65**	—	23
Expiring between two and five years	**—**	**42**	—	91
Expiring in five or more years	**569**	**—**	552	—
	569	**107**	552	114

27 Pension information

FRS17 - Retirement Benefits

i) The Riverside Group Pension Scheme

The Riverside Group operates a pension scheme providing benefits based on final pensionable pay. The contributions are determined by an independent qualified actuary on the basis of triennial valuation using the projected unit method. The most recent formal valuation was 31 March 2005. This has been updated for FRS17 purposes to 31 March 2007 by an independent qualified actuary. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

		2007	2006	2005	2004	2003
(a)	inflation	**3.1%**	2.9%	2.8%	2.8%	2.5%
(b)	rate of discount on scheme liabilities	**5.3%**	5.1%	5.6%	5.6%	5.6%
(c)	rate of salary increase	**4.1%**	3.7%	3.6%	3.6%	3.3%
(d)	rate of increase of pensions in payment	**3.1%**	2.9%	2.8%	2.8%	2.5%
(e)	rate of increase of deferred pensions	**3.1%**	2.9%	2.8%	2.8%	2.5%

The fair value of the scheme's assets at 31 March 2007, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	**55,500**	50,200	38,400	33,300	25,800
Present value of liabilities	**(59,700)**	(55,400)	(44,500)	(41,000)	(35,800)
Deficit in the scheme	**(4,200)**	(5,200)	(6,100)	(7,700)	(10,000)

27 Pension information - continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2007 were:

Market value	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Equities	39,100	35,700	26,400	23,800	17,400
Fixed Interest Bonds	6,600	5,500	4,500	3,800	3,100
Index Linked Bonds	3,900	3,100	2,500	2,200	1,900
Corporate Bonds	5,400	4,200	3,600	2,400	2,400
Cash	500	1,700	1,400	1,100	1,000
Total	55,500	50,200	38,400	33,300	25,800

Expected long term return	2007	2006	2005	2004	2003
Equities	7.50%	7.25%	7.25%	7.25%	7.25%
Fixed Interest Bonds	4.85%	4.35%	4.75%	4.75%	5.25%
Index Linked Bonds	4.85%	4.35%	4.75%	4.75%	5.25%
Corporate Bonds	5.30%	5.10%	5.55%	5.65%	5.25%
Cash	4.85%	4.35%	4.75%	4.75%	3.50%
Total	6.76%	6.48%	6.55%	6.61%	6.53%

Analysis of the amount charged to operating profit	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Current service cost	2,500	2,200	2,200	2,100	1,700
Past service cost	—	—	—	—	—
Total operating charge	2,500	2,200	2,200	2,100	1,700

Analysis of the amount credited to other finance income	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Expected return on pension scheme assets	3,300	2,500	2,200	1,700	2,000
Interest on pension liabilities	(2,800)	(2,500)	(2,300)	(2,000)	(1,700)
Net return	500	—	(100)	(300)	300

27 Pension information - continued

Movement in surplus/(deficit) during year	**2007**	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Deficit in scheme at beginning of the year	**(5,200)**	(6,100)	(7,700)	(10,000)	1,100
Movement in year:					
Current service cost	**(2,500)**	(2,200)	(2,200)	(2,100)	(1,700)
Past service cost	**—**	—	—	—	—
Contributions	**2,300**	2,000	2,400	1,800	1,900
Other finance income	**500**	—	(100)	(300)	300
Actuarial gain/(loss) in STRSD	**700**	1,100	1,500	2,900	(11,600)
Deficit in scheme at end of the year	**(4,200)**	(5,200)	(6,100)	(7,700)	(10,000)

Amount recognised in the statement of total recognised surpluses and deficits (STRSD)	**2007**	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	**400**	7,700	1,300	4,000	(8,100)
Experience gains/(losses) arising on the scheme liabilities	**900**	(100)	1,100	2,100	(1,200)
Changes in assumptions underlying the present value of the scheme liabilities	**(600)**	(6,500)	(900)	(3,200)	(2,300)
Actuarial gain/(loss) recognised in STRSD	**700**	1,100	1,500	2,900	(11,600)

History of experience surpluses and deficits	**2007**	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Difference between actual and expected returns on assets (£'000)	**400**	7,700	1,300	4,000	(8,100)
% of scheme assets	**0.7%**	15.3%	3.4%	12.0%	-31.4%
Experience gains/(losses) on liabilities (£'000)	**900**	(100)	1,100	2,100	(1,200)
% of scheme liabilities	**1.5%**	-0.2%	2.5%	5.0%	-3.3%
Total amount recognised in STRSD (£'000)	**700**	1,100	1,500	2,900	(11,600)
% of scheme liabilities	**1.2%**	2.0%	3.4%	7.0%	-32.4%

27 Pension information - continued

ii) Other defined benefit pension schemes

The Riverside Group also makes contributions to other defined benefit pension schemes. Berrybridge Housing Limited and Lee Valley Housing Association Limited contribute to the Merseyside Pension Scheme. Bowlee Park Housing Association Limited contributes to the Greater Manchester Pension Fund. Carlisle Housing Association Limited contributes to the Cumbria Local Government Pension Scheme. Each entity is a participating employer in its respective scheme.

The most recent actuarial valuations of these schemes have been updated for FRS17 purposes by independent qualified actuaries. The disclosures represent each entity's share of the overall scheme's assets and liabilities. As permitted by FRS17 the disclosures for these entities have been consolidated. The assumptions used, which have been combined on a weighted average basis on asset values, are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

		2007	2006	2005	2004	2003
(a)	inflation	**3.11%**	2.92%	2.89%	2.81%	2.50%
(b)	rate of discount on scheme liabilities	**5.40%**	4.90%	5.41%	5.50%	5.40%
(c)	rate of salary increase	**4.74%**	4.55%	4.47%	4.31%	4.00%
(d)	rate of increase of pensions in payment	**3.11%**	2.92%	2.89%	2.81%	2.50%
(e)	rate of increase of deferred pensions	**3.11%**	2.92%	2.89%	2.81%	2.50%

The fair value of the schemes' assets at 31 March 2007, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	**26,885**	24,661	18,155	16,037	9,925
Present value of liabilities	**(27,253)**	(26,717)	(21,690)	(18,672)	(11,291)
Deficit in the scheme	**(368)**	(2,056)	(3,535)	(2,635)	(1,366)

27 Pension information - continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2007 were:

Market value	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Equities	**16,171**	14,922	10,784	10,020	5,973
Fixed Interest Bonds	**5,044**	4,881	3,598	2,865	2,185
Index Linked Bonds	**2,100**	1,843	1,404	1,010	48
Property	**2,377**	1,783	1,622	1,368	948
Other	**214**	403	179	774	771
Cash	**979**	829	568	—	—
Total	**26,885**	24,661	18,155	16,037	9,925

Expected long term return	**2007**	2006	2005	2004	2003
Equities	**7.54%**	7.05%	7.53%	7.53%	7.58%
Fixed Interest Bonds	**4.72%**	4.34%	4.71%	4.75%	4.55%
Index Linked Bonds	**4.75%**	4.32%	4.74%	4.80%	4.58%
Property	**6.42%**	5.94%	6.40%	6.50%	6.42%
Other	**6.60%**	1.35%	5.33%	4.00%	3.79%
Cash	**5.21%**	3.97%	4.75%	—	—
Total	**6.60%**	6.03%	6.52%	6.60%	6.49%

Analysis of the amount charged to operating profit	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Current service cost	**806**	764	806	670	132
Past service cost	**250**	(450)	—	—	—
Total operating charge	**1,056**	314	806	670	132

Analysis of the amount credited to other finance income	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Expected return on pension scheme assets	**1,468**	1,221	1,095	761	186
Interest on pension liabilities	**(1,329)**	(1,186)	(1,056)	(769)	(158)
Net return	**139**	35	39	(8)	28

27 Pension information - continued

Movement in surplus/(deficit) during year	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Deficit in scheme at beginning of the year	**(2,056)**	(3,535)	(2,635)	(1,366)	(154)
Movement in year:					
Current service cost	**(806)**	(764)	(805)	(670)	(132)
Past service cost	**(250)**	450	—	—	—
Contributions	**669**	743	658	593	2,227
Other finance income/(expenditure)	**139**	35	39	(8)	28
Actuarial surplus/(deficit) in STRSD	**1,936**	1,015	(791)	(1,184)	(3,335)
Deficit in scheme at end of the year	**(368)**	(2,056)	(3,534)	(2,635)	(1,366)

Amount recognised in the statement of total recognised surpluses and deficits (STRSD)	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	**117**	3,016	735	1,703	(415)
Experience losses arising on the scheme liabilities	**2**	(957)	(74)	(2,269)	(2,112)
Changes in assumptions underlying the present value of the scheme liabilities	**1,817**	(1,044)	(1,452)	(618)	(808)
Actuarial gain/(loss) recognised in STRSD	**1,936**	1,015	(791)	(1,184)	(3,335)

History of experience surpluses and deficits	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between actual and expected returns on assets (£'000)	**117**	3,016	735	1,703	(415)
% of scheme assets	**0.44%**	12.23%	4.05%	10.62%	4.18%
Experience gains/(losses) on liabilities (£'000)	**2**	(957)	(74)	(2,269)	(2112)
% of scheme liabilities	**0.01%**	-3.58%	-0.34%	-12.15%	-18.72%
Total amount recognised in STRSD (£'000)	**1,936**	1,015	(791)	(1,184)	(3,335)
% of scheme liabilities	**7.10%**	3.80%	-3.65%	-6.34%	-29.54%

27 Pension information - continued

(iii) Defined contribution pension schemes
The Riverside Group also contributes to defined contribution schemes. The cost for the year was £8,359 (2006: £7,414).

(iv) The Social Housing Pension Scheme
Riverside North East Limited (RNE) and English Churches Housing Group Limited (ECHG) participate in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

Up to March 2007, the Scheme operated a single benefit structure, final salary with a 1/60th accrual rate. From April 2007 there were three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

RNE and ECHG have elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2007. RNE have closed the Scheme to new entrants, whilst ECHG have elected to operate the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

During the accounting period RNE and ECHG paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 14 active members of the Scheme employed by RNE and 287 employed by ECHG. RNE and ECHG continue to offer membership of the Scheme to its employees.

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

With effect from 1 April 2007 the employer and employee contribution rates for RNE will be 15.9% and 4.6% to 6.6% of pensionable salaries respectively. For ECHG the rate will be 16.1% and 5.9% respectively.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. As RNE has closed the scheme to new entrants, the Trustee's interpretation is that it is deemed to have withdrawn from the scheme when its last active member leaves pensionable service. It is therefore certain that at some point in the future this debt will crystallise unless the scheme is fully funded on a buy out basis as at that date. RNE has been notified by the Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2005. As of this date the estimated employer debt for RNE was £1,784,000. Under FRS12 given the uncertainty over when and if the debt will crystallise this amount has been treated as contingent liability (Note 28).

28 Contingent liabilities

As at 31 March 2007, the Riverside Group had a contingent liability totalling £259,000 (2006 : £259,000) in respect of its entire holding of 8¾% Treasury Stock 2017. This stock is held by the Trustee for Funding For Homes Limited, subject to certain rights, and could be sold should a fellow borrower fail to service the interest or repay the stock.

Following the demolition of properties on certain sites, costs of £407,109 (2006 : £157,283) have been written off, and the related grant has been written back. A contingent liability to a maximum of £2,122,931 (2006 : £1,715,769) exists in respect of this grant; in the unlikely event of the sale of the land, the grant becomes repayable to the extent of any surplus generated on sale.

At the financial year end the Riverside Group had a contingent liability of £5m (2006 : £4m) in connection with a debt service guarantee arrangement in favour of Royal Bank of Canada Europe Limited (RBC). Should any of Bowlee Park Housing Association, Berrybridge Housing Limited, Carlisle Housing Association Limited, Community Seven Limited or Lee Valley Housing Association Limited (all members of the Riverside Group) default on loan arrangements with RBC, the above liability may be called upon.

On 28th March 2002, Heritage Care ceased to be a part of English Churches Housing Group. The provisions of the separation agreement required ECHG to make a guarantee in favour of Heritage Care of £512,000 for a period of six years. The guarantee relates to Heritage Care's obligations under one of its client's Admission Agreements in relation to pensionable employees.

English Churches Housing Group has performance guarantees with Barclays Bank totalling £310,001 (2006: £310,001).

Following a change in legislation in September 2005 there is a potential debt on the employers that participate in multi-employer schemes such as the Social Housing Pension Scheme (SHPS) that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. As Riverside North East has closed the scheme to new entrants, the Trustee's interpretation is that it is deemed to have withdrawn from the scheme when its last active member leaves pensionable service. It is therefore certain that at some point in the future this debt will crystallise unless the scheme is fully funded on a buy out basis as at that date. Riverside North East has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2005. As of this date the estimated employer debt for Riverside North East was £1,784,000.

29 Provisions for liabilities and charges - continued

Group

		Group	
		2007	2006
		£'000	£'000
Litigation claims	(i)	**—**	7,500
Improvement programme	(ii)	**92,116**	123,346
Pension liabilities	(iii)	**4,568**	7,256
Other	(iv)	**321**	1,336
At 31 March 2007		**97,005**	139,438

		Company	
		2007	2006
		£'000	£'000
Pension liabilities	(iii)	**404**	499

The company pension deficit has been included in the Group pension disclosure note 27.

(i) Litigation claims

The 2006 provision relates to a rent increase challenge brought against Riverside Housing Association Limited. The case was successfully appealed to the House of Lords in March 2007 and as a result the provision has been released.

(ii) Improvement programme

On the transfer of properties from local councils to the Group's four stock transfer subsidiaries and Community Seven Limited, the subsidiaries were contracted to carry out improvement works to those properties. A provision of £92.1m (2006: £123.3m) has been made in respect of the subsidiaries' outstanding commitments to their local councils to carry out improvement work.

(iii) Pension liabilities

In line with the full adoption of FRS17 Retirement Benefits the deficit on the Riverside Group Pension Scheme is recognised as a liability on the balance sheet (Note 27).

(iv) Other

The other provision reflects provisions made in Community Seven Limited (£0.1m) to cover the potential cost of claims for disrepair and Berrybridge Housing Association Limited (£0.2m) (2006: £0.5m), arising from a dispute with their estate management board. The 2006 provision included Lee Valley Housing Association Limited (£0.8m) to cover the potential cost of asbestos removal, which has now been released.

30 Housing stock

Dwellings owned and in management	Group 2007 Number	2006 Number
Social housing		
General housing	**36,242**	31,779
Supported housing	**6,279**	1,124
Shared ownership	**1,400**	1,199
Key worker	**321**	146
Total social housing	**44,242**	34,248
Dwellings managed for other organisations	**7,145**	4,034
Total managed social housing	**51,387**	38,282
Non social housing		
Student accommodation	**421**	421
Market rent	**47**	18
Specialist housing	**292**	—
Total owned and managed	**52,147**	38,721
Staff accommodation	**119**	48
Awaiting major repair/disposal	**1,689**	1,810
Total Stock	**53,955**	40,579
Accommodation in development at the year end	**368**	331

31 Related party transactions

A Board member of The Riverside Group Limited is a tenant of Riverside Housing Association Limited. His tenancy is on normal commercial terms, and he cannot use his position to his advantage. There are no other related party transactions.

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