



Radian Group Limited

Financial Statements

For the year ended
31 March 2009

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Board of Management Report

The Board of Management is pleased to present its report and the audited financial statements for the Company and the Group for the year ended 31 March 2009.

Principal Activities

Radian Group Limited ('Radian') is a not for profit organisation administered by a voluntary Board of Management. It is a company Limited by Guarantee and is a Registered Provider. It has six principal subsidiaries, of which five are Registered Providers and the other is a provider of support services mainly for people with learning difficulties. Radian is subject to regulation by the Tenant Services Authority under the provisions of the Housing Acts.

The Group's principal activity is to deliver high quality homes and services which support and improve people's lives and the communities in which they live. The Company's principal activity is the provision of central support services to Group companies.

The Group owns and manages 17,046 properties (2008: 16,185 properties) in 26 local authority areas in Hampshire, Berkshire, Buckinghamshire, Dorset, Surrey, West Sussex and Wiltshire. Some 81% (2008: 80%) of our homes are general needs rented accommodation, predominantly for families, and a further 7% (2008: 6%) are shared ownership properties. 4% (2008: 9%) of the homes are supported and sheltered housing, with the balance being market rented and student accommodation. The Group employs some 712 Full Time Equivalent Staff (2008: 770 FTE Staff) and has tangible fixed assets with a book value of £478 million (2008 restated, see Page 3 : £434 million).

21% (2008: 30%) of our homes are concentrated in East Hampshire, with a further 15% (2008: 26%) in Windsor and Maidenhead and 10% (2008: 11%) in Southampton local authority areas.

The registered office and the south western activities of the Group occupy a single purpose-built complex in Eastleigh. There are also main offices in Aylesbury, Petersfield, Slough and Windsor and area offices in Portsmouth and Ringwood.

The Group has bought almost half of its homes from local authorities by way of stock transfers. It has developed or acquired, when new, the majority of the rest of the homes it owns. The ex-local authority homes have been subject to a programme of repair and all of the homes owned have been maintained to a good standard. The Group has complied with the Decent Homes Standard on all but a small number of its homes.

The Group measures its performance, primarily, by the Key Performance Indicators set by the Tenant Services Authority, such as arrears and void levels, and the loan covenants agreed with its lenders. Two of the Registered Providers in the Group have also been given a rating of 2-star service with excellent prospects for improvement by the Audit Commission. These were very significant achievements, having been equalled or bettered by only a very small number of housing associations.

Board of Management Report (continued)

Business Review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows.

Operating and Financial Review 2008/09

The Group was formed in December 2006 with a view to benefiting from the efficiencies of a larger group. Over the period since, significant progress has been made on integrating the operations of the Group. A new computer system is currently being implemented to provide an improved service to customers and to facilitate future growth.

Operational and financial performance across the Group has been good, especially in view of the significant progress on operational integration. The Group exceeded the performance required by the Tenant Services Authority on its Key Performance Indicators.

The Group has returned a satisfactory financial performance over the year, reporting a significant level of over-performance against budget despite the marked reduction in receipts from staircasing of shared ownership homes. The 2008 SORP has been adopted for these financial statements and the 2008 comparatives have been re-stated on the new basis. The impact of this is shown in Note 12.

The balance sheet reflects the continued growth of the Group, with a gross investment in fixed assets and long term investments rising to £885 million (2008 restated : £790 million), funded by £73 million reserves (2008 restated: £71 million), £356 million grant and other public subsidy (2008: £324 million), and £424 million of loan funding (2008: £368 million).

The Group's concentration on ensuring that its older homes are kept in good repair will allow almost total compliance with Decent Homes Standards well before the 2010 deadline.

In 2003 the Group organisations formed the Wayfarer Development Consortium with six other Registered Providers. Through Wayfarer, the Group has been able to maintain its developer status over the last four social housing grant bid rounds. During the year, Wayfarer received over £48 million of grant (2008: £52 million), funding the delivery of 1,360 homes (2008: 880 homes).

The Group is reviewing the suitability of a small number of sheltered homes for which there are low levels of demand. These amount to less than 1% of the total number of homes. Other than these, its homes are of a high quality and it continues to enjoy high levels of demand for them.

The majority of the day-to-day repairs and grounds maintenance during the year were carried out for the Group by its own direct labour organisations.

At the year end the group had £287 million (2008: £265 million) of fixed rate borrowings, with the balance being borrowed at variable rates. Almost £19 million (2008: £22 million) of the borrowings are re-payable within five years. Over half of the Group's borrowings have been raised at fixed rates of interest, giving a reasonable level of certainty over future interest costs.

The Group does not use stand-alone hedging instruments.

The Group increased the number of homes it owned and managed by 1,254 during the year (2008: 755). The Group still has a healthy development programme.

Board of Management Report (continued)

Operating and Financial Review 2008/09 (continued)

The Group's subsidiary, Turnstone Support, provides support for people with learning difficulties, mental health problems and older people across Berkshire and Buckinghamshire. The level of support varies from a few hours per week to 24-hour residential care. Turnstone continues to pursue new business opportunities in existing areas of operation and elsewhere.

Of the consolidated surplus after tax of £4,348,000 (2008 restated: £10,822,000), £1,007,000 (2008: £339,000) has been transferred from restricted and designated reserves.

The Group paid premiums for insurance indemnifying board members against liabilities arising from the exercising of their duties.

External Influences

Government policies are aimed at significantly increasing housing supply by widening the availability of social housing grant to the private sector; extending opportunities for people to buy their homes; and consulting on changes to the planning and taxation systems to help finance the new developments.

In addition, the quality of affordable housing remains a key focus for the government that has committed to delivering decent homes for all social housing tenants by 2010. Housing associations are also expected to contribute to the efficiency targets for the social housing sector, set following the Gershon review and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are the state of the housing and finance markets. Historically, the Group has enjoyed significant income from staircasing and loan redemptions from its low-cost home ownership loan and home portfolios. It also has a significant low-cost home ownership development pipeline, which is dependent on the sale of leases to prospective home owners. The current state of the housing and housing finance markets has caused the volume of staircasing and loan redemptions receipts to fall and slowed the rate of sales of new homes. The Group is monitoring this closely, to ensure that it scales back commitments in line with market conditions.

The availability of future funding at affordable rates could also have a significant impact on the ambitions of the Group to grow.

Future Development

The Group has a significant development programme, which is possible through grant allocations from the Homes & Communities Agency and the high level of demand for quality affordable housing within its area of operation.

The Group has available to it just under £22 million (2008: £27 million) of future grant funding and it anticipates borrowing a further £43.5 million (2008: £56 million) to complete the developments which it has committed to the Homes & Communities Agency to procure over the next three years. It has available borrowing facilities of £118.5 million (2008: £162 million) to facilitate this.

Board of Management Report (continued)

The Board of Management

The Board of Management consists of nine non-executive members and is responsible for managing the affairs of the Group. Members are drawn from a wide background, bringing together professional, commercial and local experience.

The Board of Management at 31 March 2009 was as follows:

- Prof. David Croisdale-Appleby, Chair
- Mike Caton, Vice Chair
- John Collinge
- Mary Crawford
- Peter Cruttenden
- Jane Evans-Gordon
- David Hankins
- Christopher Napier
- Jackie Ronson

Chris Napier resigned from the Board in May 2009, and Jane Evans-Gordon resigned in June 2009.

The Board of Management met nine times in the year, and was supported by the Audit Committee, Remuneration & Nominations Committee, Monitoring & Integration Committee, New Business Committee and the Pensions Working Party.

The Group's operations are carried out in accordance with the Housing Acts and the Tenant Services Authority regulates the Group.

Whilst continuing to concentrate on providing quality, affordable homes and services delivered consistently and perceived by customers to be good value for money, the Group aims to continue to expand the number of homes and the range of services it provides.

The Group continues to achieve high levels of financial and non-financial performance. The overall quality of performance has been borne out by Audit Commission inspections of two Group members, which reported the provision of a good 2-star service with excellent prospects for improvement.

Internal Control

The Board acknowledges its ultimate responsibility for establishing and maintaining the whole system of internal controls that is appropriate to the various business environments in which it operates and for reviewing effectiveness of those controls. This applies to all companies and subsidiaries within the Radian Group. These controls are designed to give reasonable assurance in respect of:

- The reliability of financial and operational information used within the Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes are achieved.

Board of Management Report (continued)

Internal Control (continued)

It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed as incorporated in the Housing Corporation's "Circular 07/07 – Internal Controls Assurance".

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

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. The process is co-ordinated through a regular reporting framework by the Group Audit Committee. The Executive team regularly considers reports on significant risks facing the Group and the Director of Corporate Services reports to the Board any significant changes affecting key risks.

- **Monitoring and corrective action**

A process of control self-assessment along with regular management reporting on control issues throughout the Group provides assurance to successive levels of management and to the Board. This includes a formal procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- **Control environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board has adopted the "Code of Governance Competence and Accountability 2004" and complies in all areas but one, where we allow some members to remain on Boards beyond three terms of three years. The Standing Orders set out the Group's policies with regard to the quality, integrity and ethics of its employees and Board Members. A framework of policies and procedures with which employees must comply support these. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. Annual employee appraisal procedures maintain standards of performance.

- **Information and financial reporting systems**

Forecasts and budgets are prepared which allow the Board and management to monitor the key financial objectives and progress towards achieving financial plans set for the year and the medium term. Regular management accounts and key performance indicators are prepared, providing reliable and up-to-date financial and other information with significant variances investigated and reported as appropriate.

- **New business**

All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, either through the Executive Appraisal Panel, the New Business Committee or the Board.

- **Group Audit Committee**



The Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that the control procedures are in place and are being followed. This includes a regular review of the major risks facing the Group. The Group Audit Committee makes regular reports to the Board.

Board of Management Report (continued)

Internal Control (continued)

- **Fraud**

Radian has developed a Group approach to fraud prevention following recommendations from the internal auditors. A Group Fraud Policy has been adopted covering prevention, detection and reporting of fraud and the recovery of assets. The Board, via the Group Audit Committee, has reviewed the fraud register. A Group Whistleblowing policy has been approved and adopted.

The internal control framework and the risk management process are subject to regular review by internal auditors, who are responsible for providing independent assurance to the Board via the Group Audit Committee. The internal auditors have confirmed that, for the 12 months ended 31st March 2009, Radian has adequate and effective control and governance processes to manage the achievement of the Group's objectives. The Group Audit Committee considers control and risk at each of its meetings during the year.

The Board (as well as the Group Audit Committee and subsidiary Boards) has conducted its annual review of the effectiveness of the system of internal controls and has taken account of any changes needed to maintain the effectiveness of the risk management and controls process.

The Board confirms that a process of integrating the risk policies of the Group parent and its subsidiaries is at a sufficiently advanced stage for the Group's Internal auditors to have given assurance to the Group Audit Committee and the Board.

Employee Policies

The Group is committed to equality of opportunity. It has a policy of not discriminating against any candidate for employment who could fulfil the duties of a position subject to reasonable adjustments being made as required by their disability. The Group is committed to providing additional support to employees with disabilities, including making reasonable adjustments to their physical workplace and flexibility of employment terms. We will also provide relevant training to assist them.

The Group is committed to providing employees with opportunities to share views and undertakes regular and formal consultation through Unions and staff representative bodies.

Going concern

In its consideration of going concern, the Board has reviewed the Group's expected income and expenditure performance in terms of profitability and cash flow, together with an appraisal of the effects of its development programme. On the basis that these projections are based on prudent data and realistic assumptions, the Board believes that it is appropriate to prepare the Group's financial statements on a going concern basis.

The Group's budget and business plan, taking account of the current economic climate and expected trading conditions, show that Radian Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

In determining that Radian Group is a going concern the Board has considered the risks and uncertainties posed by current economic conditions and determined that they do not currently represent a significant risk to the Group.

Board of Management Report (continued)

Going concern (continued)

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of Disclosure to Auditors

Each of the persons who is a Board member at the date of approval confirms that:

- a) so far as the Board members are aware, there is no relevant audit information of which the Group's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234z of the Companies Act 1985.

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as the Group's auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

The Report of the Board was approved by the Board on 28 July 2009 and signed on its behalf by:

Professor David Croisdale-Appleby
Chair 2009

Statement of the Responsibilities of the Board for the Report and Financial Statements

The Board is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year. Under that law the Board members have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- select whether applicable UK Accounting Standards have been followed; 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 which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have a general responsibility taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Board of Management Report is prepared in accordance with the Statement of Recommended Practice - 'Accounting by Registered Social Landlords 2008'.

The Board members are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Radian Group Limited

We have audited the Group and parent company financial statements of Radian Group Limited for the year ended 31 March 2009 which comprise the Group and Company Income and Expenditure Account, the Group and Company Statement of Total Recognised Surpluses and Deficits, the Group and Company Balance Sheets, the Group Cash Flow Statement and related notes, and the related Notes to the financial statements 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Providers General Determination 2006.

We also report to you, if, in our opinion, the Board of Management's Report is consistent with the financial statements. The information given in the Board of Management's Report includes the specific information presented in the Operating and Financial Review that is cross-referenced from the Business Review section of the Board Report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Board of Management's Report and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information outside the Annual Report.

Independent Auditors' Report to the Members of Radian Group Limited (continued)

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we 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 United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group and the parent company as at 31 March 2009 and of the Group and parent company's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Board of Management's Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom
Date: 2009

Group and Company Income and Expenditure Account

Year ended 31 March 2009

		Group	Group	Company	Company
		As restated see Note 12			
	Note	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Turnover	2	96,552	93,053	20,422	4,076
Cost of sales	2	(6,062)	(5,545)	-	-
Operating costs	2	(65,021)	(58,273)	(19,842)	(4,087)
Operating Surplus/(Deficit)	2	25,469	29,235	580	(11)
Surplus from sale of housing properties	2	865	2,350	-	-
Interest receivable and other income	3	976	1,823	-	-
Interest payable and similar charges	4	(22,537)	(21,835)	-	-
Other finance costs	4	(110)	(6)	-	-
Surplus/(Deficit) on Ordinary Activities before taxation		4,663	11,567	580	(11)
Tax on surplus on ordinary activities	6	(315)	(745)	(212)	-
Surplus/(Deficit) on Ordinary Activities for the year		4,348	10,822	368	(11)

The Notes on pages 14 to 48 form part of these financial statements.

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

No activities were discontinued during the above two financial years.

The movement on accumulated reserves is set out in Note 19 to the financial statements.

Statement of total recognised surpluses and deficits

		Group	Group	Company	Company
		2008/09	2007/08	2008/09	2007/08
		£'000	£'000	£'000	£'000
		As restated see Note 12			
Surplus/(deficit) for the financial year		4,348	10,822	368	(11)
Unrealised surplus on investment revaluation		99	39	-	-
Actuarial (loss)/gain on pension schemes	21	(3,249)	1,618	-	-
Deferred tax on actuarial gain	22	-	(298)	-	-
Total recognised surplus/(deficit) for the year		1,198	12,181	368	(11)
Prior year adjustment (see note 12)		10,671			
Total gains and losses recognised since last annual report and financial statement		11,869			

Group and Company Balance Sheets

At 31 March 2009

		Group As Restated see Note 12		Company	Company
	Notes	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Fixed Assets					
Housing Properties at depreciated cost	9	770,828	704,803	-	-
Social Housing Grant	9	(286,077)	(264,214)	-	-
Other public grants	9	(10,453)	(10,344)	-	-
Net book value of housing properties		474,298	430,245	-	-
HomeBuy loan	10	70,925	49,512	-	-
HomeBuy grant	10	(61,403)	(48,997)	-	-
Other fixed assets	9	14,734	12,130	724	79
Total fixed assets		498,554	442,890	724	79
Current Assets					
Properties for sale	11	7,305	8,711	-	-
Stocks	13	172	160	172	-
Debtors: amounts due within one year	14	19,979	18,039	5,843	1,476
Debtors: amounts due after one year	14	-	-	106,500	100,000
Short term investments	15	3,900	3,364	-	-
Cash at bank and in hand	15	20,476	17,501	481	1,065
		51,832	47,775	112,996	102,541
Creditors: Amounts falling due within one year	16	(48,393)	(49,592)	(16,008)	(17,776)
Net current assets / (liabilities)		3,439	(1,817)	96,988	84,765
Total assets less current liabilities		501,993	441,073	97,712	84,844
Pension liability	22	5,261	1,903	-	-
Creditors: Amounts falling due after more than one year	17	424,177	367,813	97,500	85,000
Capital & Reserves					
Designated reserve	19	6,734	7,145	-	-
Restricted reserve	19	366	962	-	-
Revenue reserve	19, 20	65,317	63,211	212	(156)
Investment revaluation reserve		138	39	-	-
Group/Company Funds/(Deficit)		72,555	71,357	212	(156)
		501,993	441,073	97,712	84,844

The Notes on pages 14 to 47 form part of these financial statements. The financial statements on pages 12 to 47 were authorised for issue by the Board on 2009 and signed on its behalf by:

D Croisdale-Appleby
Chair

M Caton
Vice Chair

Group Cash Flow Statement

Year ended 31 March 2009	2008/09	2007/08
£'000	£'000	£'000
Cash Inflow from Operating Activities (note (a))	32,203	36,738
Returns on Investment and Servicing of Finance		
Interest paid	(23,905)	(21,891)
Interest received	976	1,823
Net Cash Outflow from Returns on Investments and Servicing of Finance	(22,929)	(20,068)
Taxation	(809)	56
Capital Expenditure and Financial Investment		
Sales of housing properties	6,587	10,637
Sales of other fixed assets	64	66
Contributions received from shared ownership	6,062	3,994
Other public subsidy	109	11
Payments to acquire tangible fixed assets	(3,561)	(1,772)
Payments to acquire and develop housing properties	(81,947)	(69,242)
Purchase of fixed asset investment	-	(555)
Homebuy loans advanced	(30,420)	(6,315)
Homebuy redemptions	9,007	5,729
Social Housing Grant received	36,992	24,103
Net Cash Outflow from Capital Expenditure	(57,107)	(33,344)
Net Cash Outflow before Financing	(48,642)	(16,618)
Management of Liquid Resources		
Short term investments	(437)	(566)
Net Cash Outflow from Management of Liquid Resources	(437)	(566)
Financing		
Loan Repayments	(4,254)	(147)
Movement in Long Term Loans	-	-
Cash inflow from financing	56,308	23,778
Net Cash Inflow from Financing	52,054	23,631
Increase in cash	2,975	6,447

Notes to the Group Cash Flow Statements

Year ended 31 March 2009			As restated See note 12
	2008/09	2007/08	
	£'000	£'000	£'000
(a) Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities			
Operating surplus		25,469	29,235
Depreciation of tangible fixed assets	4,387		2,702
Impairment of fixed assets	644		465
Pension Scheme Cost	(1)		
(Decrease)/increase in stocks	1,394		(1,039)
Increase/(decrease) in operating debtors and prepayments	(9,365)		(2,353)
(Decrease)/increase in operating creditors and accruals	9,696		7,715
(Decrease)/increase in other creditors and accruals	(21)		13
		6,734	7,503
Net Cash Inflow from Operating Activities		32,203	36,738
(b) Reconciliation of Net Cashflow to Movement in Debt			
Increase in cash in the period	2,975		6,447
Cash inflow from debt and lease financing	(52,054)		(23,631)
Cash inflow from liquid resources	536		605
Change in debt arising from cash flows		(48,543)	(16,579)
(c) Movement in Net Debt in the Period			
		(48,543)	(16,579)
Net debt at start of year		(351,256)	(334,677)
Net debt at end of year		(399,799)	(351,256)
(d) Analysis of Changes in Net Debt			
	As at	Cashflow	As at
	01/04/2008		31/03/2009
	£'000	£'000	£'000
Cash	18,059	2,463	20,522
Overdraft	(558)	512	(46)
Liquid resources	3,364	536	3,900
Housing loans repayable within one year	(15,222)	4,254	(10,968)
Housing loans repayable in more than one year	(356,899)	(56,308)	(413,207)
Total	(351,256)	(48,543)	(399,799)

Notes to the Financial Statements

Note 1 - Accounting Policies

Legal Status

The company is registered under the Companies Act and is registered with the Tenant Services Authority as a Registered Provider.

Introduction and Accounting Basis

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008, in accordance with the Accounting Requirement for Registered Social Landlords General Determination 2006 and the Housing Act 1985. This is the first year for which the 2008 SORP has been adopted, the impact of which is shown in Note 12.

The principal accounting policies are set out below and have been applied consistently throughout the year.

The accounts have been prepared on a going concern basis, details of which can be found on page 8 of the Directors' Report.

Basis of Consolidation

The consolidated accounts include the parent and all its subsidiaries. Intra-Group balances, surpluses and deficits are eliminated on consolidation. In line with FRS 6 'Mergers and Acquisitions' merger accounting has been used for the combination of Drum Housing Association Limited, Oriel Housing Limited and Parkside Housing Group Limited. Under merger accounting, all existing reserves are carried forward into the new Group and are not eliminated as with acquisition accounting. No goodwill has arisen.

Turnover

Turnover represents rental income receivable and fees for development agency activities, income from the sale of properties (other than sales under the 'Right to Buy' legislation and staircasing sales of shared ownership properties) and other services at invoiced value, excluding VAT.

Value Added Tax

The Group is VAT registered, but a large proportion of its income, namely rent, is exempt for VAT purposes and thus gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is shown in the income and expenditure account.

Interest Payable

Interest payable is charged to the income and expenditure account in the year that it accrues.

Pensions

The Group participates in the industry-wide, multi-employer 'Social Housing Pension Scheme' ('SHPS') and the NHS Pension Scheme for England and Wales ('NHS'). These are defined benefit pension Schemes and retirement benefits to employees of the Group are funded by contributions from the employers and employees participating in the Scheme.

Notes to the Financial Statements - continued

Note 1 - Accounting Policies (continued)

The assets of the Scheme are held separately from those of the Group. The Group also participates in the Growth Plan which is an Additional Voluntary Contribution Scheme, operating in part on a defined benefit basis.

The Group is unable to identify its share of the underlying assets and liabilities of the SHPS, NHS and Growth Plan Schemes on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for these Schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

The Group participates in other defined benefit pension schemes where the deficit / surplus can be separately identified. These are the Royal County of Berkshire (RCB) Pension Fund and the Hampshire County Council Pension Scheme. The pension Scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

Fixed Assets - Housing Properties

Properties included in housing assets are stated at cost:

- the costs of acquiring land and buildings;
- staff and staff-related expenditure and on-costs relating to the development of the housing properties.

All invoices and architects' certificates relating to capital expenditure incurred in the year are included in the accounts for the year at net value after retentions. The cost attributed to a property has been reduced where it is considered that a permanent impairment in its value has been suffered.

The principles of FRS15 are followed and, where economic benefit is enhanced, costs are capitalised. Otherwise, all costs are written off in the year incurred.

Donated land is held at historic valuation.

Social Housing Grant (SHG) and Other Public Subsidy

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Homes & Communities Agency, or received in advance, is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes & Communities Agency. SHG released on sale of a property may be repayable, but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Notes to the Financial Statements - continued

Note 1 - Accounting Policies (continued)

Where developments or loans made have been financed wholly or partly by SHG and other public subsidy, the cost of those developments has been reduced by the amount receivable. Whilst SHG has been treated as a grant, it is repayable under certain circumstances, primarily following the sale of a property, but the repayment is often restricted to the net proceeds of sale.

Other Long Term Investments

HomeBuy loans are stated at the amount advanced less provision for bad debts. Social Housing Grant is receivable from The Homes & Communities Agency and is utilised to reduce the cost of these loans.

Depreciation

(i) Freehold Housing Land and Buildings

The Group maintains its housing stock in accordance with a planned programme of works and in a good state of repair. Depreciation at a rate of 1% has been charged on the net cost of housing properties, less the cost and SHG attributable to land.

(ii) Other Fixed Assets

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

Freehold offices	2%
Office equipment	20% - 33 $\frac{1}{3}$ %
Office furniture and development equipment	10%
Motor vehicles, yard plant and machinery	25%

Leasehold property is charged on straight line basis over the period of the lease.

Apportionment of Management Expenses

Direct employee, administration and operation costs have been apportioned to the income and expenditure account as operating costs, on the basis of costs of the staff directly engaged on the operations dealt with in these financial statements.

Major Repair Reserve

The Group designated a reserve for future major repair expenditure.

Shared Ownership Transactions

Sales of the first tranche are treated as turnover. Subsequent staircasing sales are treated as surplus on sales of housing properties. Deficits on a Scheme are recognised as soon as they are foreseen.

Shared ownership properties are split proportionately between fixed and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as fixed asset. If the profit on sale of the first tranche is expected to exceed the total overall profit on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the profit earned to the overall profit. Social Housing Grant receivable for second or subsequent tranches are recorded against the cost of the fixed asset.

Notes to the Financial Statements - continued

Note 1 - Accounting Policies (continued)

Cyclical Repairs and Maintenance

Due to the number of properties held, and the establishment of regular programmes of repair and maintenance, the Group does not make provision for future works but charges actual costs incurred to the income and expenditure account.

Capitalisation of Interest

No interest on the financing of developments is capitalised.

Financing Costs

Finance costs comprising loan interest and discounts and premiums on loan issues are allocated to accounting periods and charged to the income and expenditure account, over the life of the related debt. The fees and other costs incurred in raising the finance are charged to the income and expenditure account as they are incurred.

Purchase and Sale of Property

Purchases and sales of property are accounted for at the point at which the contract becomes unavoidable; this is usually exchange of contracts.

Schemes Managed by Agents

The treatment of income and expenditure on properties managed by the Group, or for the Group, depends on whether the Group carries the financial risk and rewards. Where the Group carries the financial risk and rewards, for example, losses from voids and arrears, all the project's income and expenditure has been included in the income and expenditure account. Where the agency carries the financial risk, only the income and expenditure which relates solely to the Group has been included.

Properties for sale

Properties for sale are held at the lower of cost and net realisable value.

Investments

Investments, other than housing properties, are stated at market value at the balance sheet date where this is readily identifiable, or, where it is not, the Board's best estimate of market value. Upward revaluations of investments are reported in the statement of total recognised surpluses and deficits, and credited to a separate investment account. Diminutions in value are recognised in the statement of total recognised surpluses and deficits until the investment revaluation reserve in respect of that asset no longer exists. Further diminutions in value or impairments of fixed asset investments are recognised in the income and expenditure account.

Notes to the Financial Statements - continued

Note 2 - Particulars of Group income and expenditure from social housing lettings

	2008/09				2007/8 restated – see note 12			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus (Deficit)	Turnover	Cost of Sales	Operating Costs	Operating Surplus (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	72,040	-	(47,769)	24,271	66,100	-	(40,614)	25,486
Other Non Social Housing Lettings								
Non-social	648	-	(243)	405	673	-	(262)	411
Other	-	-	-	-	76	-	(17)	59
Other Social Housing Activities								
Development administration	59	-	(1,578)	(1,519)	-	-	(1,598)	(1,598)
Development agency	-	-	-	-	9	-	-	9
Cesspool emptying	38	-	(70)	(32)	41	-	(45)	(4)
Management services	36	-	(49)	(13)	20	-	(36)	(16)
Supporting people	122	-	(139)	(17)	119	-	(143)	(24)
Sale of housing accommodation	8,060	(6,062)	-	1,998	9,430	(5,545)	(271)	3,614
Other	201	-	(694)	(493)	565	-	(840)	(275)
Other Non Social Housing Activities								
Care & Support schemes	14,839	-	(13,915)	924	15,338	-	(13,527)	1,811
Communication schemes	126	-	(133)	(7)	138	-	(118)	20
Big lottery fund	22	-	(22)	-	19	-	(19)	-
Other income and expenditure	361	-	(409)	(48)	525	-	(783)	(258)
Operating Surplus	96,552	(6,062)	(65,021)	25,469	93,053	(5,545)	(58,273)	29,235

Notes to the Financial Statements - continued

**Note 2 –Particulars of Group income and expenditure from social housing lettings
(Continued)**

	General Housing Needs	Supported Housing	Temporary Social Housing	Key Workers	Shared Ownership	Others	2008/09 Total	2007/08 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income Lettings								
Rent receivable net of identifiable service charges	60,387	3,017	143	31	1,896	2,384	67,858	62,947
Service income	2,242	967	-	19	462	151	3,841	2,800
Charges for support services	4	316	-	-	-	-	320	304
Net Rental Income	62,633	4,300	143	50	2,358	2,535	72,019	66,051
Revenue grants from local authorities and others	17	-	4	-	-	-	21	49
Turnover from Social Housing Lettings	62,650	4,300	147	50	2,358	2,535	72,040	66,100
Expenditure on Social Housing Lettings								
Management	(11,115)	(731)	(13)	-	(349)	(309)	(12,517)	(11,432)
Services	(2,724)	(1,018)	-	(9)	(153)	(27)	(3,931)	(3,529)
Care and Support Services	(266)	(100)	1	-	-	-	(365)	(547)
Routine maintenance	(9,749)	(386)	(3)	(3)	-	(168)	(10,309)	(8,260)
Planned maintenance	(2,109)	(80)	(2)	-	-	(25)	(2,216)	(1,368)
Major repairs expenditure	(10,589)	(1,361)	-	-	-	(66)	(12,016)	(11,885)
Bad debts	(323)	(10)	-	(2)	-	(1,916)	(2,251)	(835)
Property lease charges	(18)	-	(116)	-	-	-	(134)	(140)
Depreciation of housing properties	(2,952)	(72)	-	-	(103)	(194)	(3,321)	(2,136)
Impairment of housing properties	(630)	-	-	-	(14)	-	(644)	(465)
Other costs	(65)	-	-	-	-	-	(65)	(17)
Operating Cost on Social Housing Lettings	(40,540)	(3,758)	(133)	(14)	(619)	(2,705)	(47,769)	(40,614)
Operating Surplus/(Deficit) on Social Housing Lettings	22,110	542	14	36	1,739	(170)	24,271	25,486
Void Losses	(1,025)	(135)	(3)	(9)	(89)	(156)	(1,417)	(1,014)

Notes to the Financial Statements - continued

Note 2 – Continued

Group surplus from sale of housing properties

	2008/09	2007/08
	£'000	£'000
Sale proceeds	3,762	10,298
Less: Cost of sales	(2,897)	(7,948)
Net Other Surplus from Sale of Housing Properties	865	2,350

Group accommodation in management

	2008/09	2007/08
	Number of	Number of
	units	units
Social housing		
General needs	13,549	12,752
Shared ownership	1,147	1,119
Supported housing	730	742
Market / Intermediate rents	373	364
Care Homes	19	35
Leaseholders	477	475
Managed for others	386	689
	16,681	16,176
Non-social housing		
Student accommodation and others	365	9
Total	17,046	16,185

Accommodation managed by others

	2008/09	2007/08
	Number of	Number of
	units	units
The Society of St James	28	20
Lifeways	5	-
Connexions Support	17	20
Scope	6	6
Choice Support	6	6
Rainbow Project	8	8
MacIntyre Care	6	4
Ability Housing	4	4
Two Saints	24	24
Mencap	2	-
Stonham Housing Association	34	22
	140	114

Notes to the Financial Statements – continued

Note 3 – Group interest receivable and other income

	2008/09 £'000	2007/08 £'000
Interest Receivable		
Interest receivable from bank and building society deposits	802	973
HomeBuy redemptions	80	714
	882	1,687
Other Income		
VAT recovery	58	95
Surplus on disposal of non housing assets	36	41
	94	136
	976	1,823

Note 4 - Group interest payable and other finance costs

	2008/09 £'000	2007/08 £'000
On housing loans:		
Repayment wholly or partly in more than five years	16,846	16,233
	16,846	16,233
On recyclable Social Housing Grant	544	408
Loan arrangement fees and associated costs	36	19
	17,426	16,660
Other interest payable	5,111	5,175
Total interest charged	22,537	21,835
Less interest capitalised	-	-
Interest charged to the Income and Expenditure Account	22,537	21,835
Expected return on pension scheme assets	756	799
Interest on pension scheme liabilities	(866)	(805)
Other finance costs charged to the Income and Expenditure Account	(110)	(6)

Note 5 - Group surplus on ordinary activities before taxation

	2008/09 £'000	2007/08 £'000
Surplus on Ordinary Activities before Taxation is stated after charging		
Depreciation of tangible fixed assets	4,387	2,702
Impairment of tangible fixed assets	644	465
Operating lease rental:		
land and buildings	1,556	2,342
office equipment, computers and motor vehicles	302	272
Auditors' remuneration :-		

Audit of these financial statements	26	25
Amount receivable by the auditors and their associates in respect of :		
audit of financial statements of subsidiaries pursuant to legislation	68	75
Other services relating to taxation	21	19

Notes to the Financial Statements – continued

Note 6 - Group Taxation

	Group 2008/09 £'000	Group 2007/08 £'000	Company 2008/09 £'000	Company 2007/08 £'000
Current tax	315	561	212	-
Deferred Tax	-	-	-	-
Movement in deferred tax asset (Note 23)	-	184	-	-
Total Tax Charge	315	745	212	-
Surplus on ordinary activities before taxation	4,663	11,567	580	(11)
Taxation on surplus on ordinary activities at 28% (2008: 30%)	1,306	3,470	162	(3)
Effects of :				
Expenses not deductible for tax purposes	721	313	5	-
Capital allowances in excess of depreciation	165	(60)	45	1
Prior Year Adjustments	103	(62)	-	-
Utilisation of tax losses	17	(23)	-	8
Other timing differences	19	9	-	(6)
Non-taxable charitable activities	(2,016)	(3,086)	-	-
	315	561	212	-

Note 7 - Directors' Emoluments

	2008/09 £'000	2007/08 £'000
The remuneration paid to the Directors and Executives of the Company (the Board of Management and the Executive Team) was:		
Emoluments (including pension contributions and benefits in kind)	1,390	942
The emoluments (excluding pension contributions) of the highest paid Director (the Chief Executive)	135	131

The Chief Executive is an ordinary member of the Group's pension scheme with the same conditions of membership applicable to all the Group's employees. The Chief Executive has no pension arrangements to which the Group contributes other than those relating to the Scheme.

Note 8 - Group Staff Costs

The average number of employees expressed in Full Time Equivalents during the year was:

	Group 2008/09 Number	Group 2007/08 Number	Company 2008/09 Number	Company 2007/08 Number
Housing Services and office staff	347	222	197	61
Care staff	364	443	-	-
Wardens, caretakers and cleaners	41	27	6	-
Maintenance staff	103	78	100	-
	855	770	303	61
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Staff costs (for the above employees)				
Wages and salaries	23,894	18,061	10,848	1,612
Social security costs	1,777	1,437	688	135
Other pension costs	1,575	1,356	740	101
	27,246	20,854	12,276	1,848

Note 9 - Group Tangible fixed assets

	Housing Properties Held for Letting	Shared Ownership Properties	Other Properties	Total Housing Properties	Shared Ownership Properties in the Course of Construction	Housing Properties in the Course of Construction	Other properties in the Course of Construction	Housing Sub Total	Freehold Premises	Leasehold/ Office Premises	Office/ Scheme Fixture & Fittings	Computer Equipment Total	Investments	Other Sub Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost															
At 1 April 2008	600,452	51,420	33,266	685,138	9,574	24,445		719,157	2,616	8,540	2,988	3,143	555	17,842	736,999
Prior year Adjustments (note 12)	8,374	3,744	(383)	11,735	(8,426)	19	425	3,753	-	-	-	-	-	-	3,753
At 1 April 2008 re-stated	608,826	55,164	32,883	696,873	1,148	24,464	425	722,910	2,616	8,540	2,988	3,143	555	17,842	740,752
Additions	2,471	(1,450)	1,647	2,668	6,958	65,299	960	75,885	2,542	-	609	410	-	3,561	79,446
Transferred into management	55,215	7,044	1,385	63,644	(7,044)	(55,215)	(1,385)	-	-	-	-	-	-	-	-
Disposals and demolitions	(5,447)	(385)	-	(5,832)	-	-	-	(5,832)	-	-	(101)	-	(56)	(157)	(5,989)
At 31 March 2009	661,065	60,373	35,915	757,353	1,062	34,548	-	792,963	5,158	8,540	3,496	3,553	499	21,246	814,209
Social Housing Grant															
At 1 April 2008	228,688	20,228	530	249,446	552	13,893	-	263,891	-	-	-	-	-	-	263,891
Prior year Adjustments (note 12)	(22)	345	-	323	-	-	-	323	-	-	-	-	-	-	323
At 1 April 2008 re-stated	228,666	20,573	530	249,769	552	13,893	-	264,214	-	-	-	-	-	-	264,214
Received in year	-	-	-	-	785	20,638	863	22,286	-	-	-	-	-	-	22,286
Disposals	(49)	(156)	-	(205)	-	-	-	(205)	-	-	-	-	-	-	(205)
Transferred into management	15,646	1,008	748	17,402	(1,008)	(15,646)	(748)	0	-	-	-	-	-	-	-
Transferred into recycled capital fund	12	-	-	12	-	-	(230)	218	-	-	-	-	-	-	(218)
At 31 March 2009	244,275	21,425	1,278	266,978	329	18,885	(115)	286,077	-	-	-	-	-	-	286,077
Other Public Subsidy															
At 1 April 2008	10,344	-	-	10,344	-	-	-	10,344	-	-	2	-	-	2	10,346
Received in year	95	9	5	109	-	-	-	109	-	-	-	-	-	-	109
Transferred into management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2009	10,439	9	5	10,453	-	-	-	10,453	-	-	2	-	-	2	10,455
Accumulated Depreciation															
At 1 April 2008	16,645	72	475	17,192	-	465	-	17,657	588	682	1,804	2,636	-	5,710	23,367
Prior year Adjustments (note 12)	(793)	493	285	(15)	-	465	-	450	-	-	-	-	-	-	450
At 1 April 2008 re-stated	15,852	565	760	17,177	-	930	-	18,107	588	682	1,804	2,636	-	5,710	23,817
Charge for the year	3,141	124	229	3,494	-	-	-	3,494	98	26	626	143	-	893	4,387
Impairment	-	14	-	14	-	630	-	644	-	-	-	-	-	-	644
Disposals	(110)	-	-	(110)	-	-	-	(110)	-	-	(93)	-	-	(93)	(203)
At 31 March 2009	18,883	703	989	20,575	-	1,560	-	22,135	686	708	2,337	2,779	-	6,510	28,645
Net Book Values at 31 March 2009	387,468	38,236	33,643	459,347	733	14,103	115	474,298	4,472	7,832	1,157	774	499	14,734	489,032
Net Book Values at 31 March 2008	353,964	34,026	31,593	419,583	596	9,641	425	430,245	2,028	7,858	1,182	507	555	12,130	442,375
	2008/09 £'000	2007/08 £'000	There were no revenue grants receivable at balance sheet date.												
Total housing properties comprise:			Public Subsidy is represented by 'free' land which has been made available by a number of local authorities working in partnership with the Group and grants or contributions made to projects which are not Social Housing Grant in schemes involving such free land any SHG payable is calculated on the 'full cost' of the scheme (including the value of the free land) and then reduced by the value of the free land.												
Freeholds	448,677	408,913	All expenditure on works to existing properties have been charged to the income and expenditure account.												
Long leaseholds	10,670	10,670	(For details please refer to note 2 - routine maintenance, planned maintenance and major repairs expenditure).												
	459,347	419,583													



Notes to the Financial Statements – continued

Note 9 - Continued

Company Tangible Fixed Assets

	Motor Vehicles	Office / Scheme Fixtures & Fittings	Computer Equipment	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2008	-	126	615	741
Additions	344	5	395	744
Disposals	-	-	(2)	(2)
At 31 March 2009	344	131	1,008	1,483
Accumulated Depreciation				
At 1 April 2008	-	114	548	662
Charge for the year	13	4	82	99
Disposals	-	-	(2)	(2)
At 31 March 2009	13	118	628	759
Net Book Values at 31 March 2009	331	13	380	724
Net Book Values at 31 March 2008	-	12	67	79
			2009	2008
			£'000	£'000
Investments				
Balance brought forward			555	-
Paid in year			(56)	555
Balance carried forward			499	555

Windsor & District Housing Association Limited holds 167 shares in the following joint venture.

Affinity (Reading) Holdings Limited.

Equity Holding: Ordinary.

Country of Registration: England.

Proportion held: 16.67%

Principal activity: holds 100% of the share capital of Affinity (Reading) Limited, which is the operator of a PFI contract to supply refurbishment, management and management services to part of Reading Borough Council's housing stock.

Note 10 - Long term investments

HomeBuy loans have been shown at cost less grant funding received.

Notes to the Financial Statements – continued
Note 11 – Properties for Sale

	2008/09	2007/08
		As restated See Note 12
	£'000	£'000
Shared ownership schemes:		
Properties under construction	2,145	2,317
Completed properties	5,160	6,394
Properties for sale	<u>7,305</u>	<u>8,711</u>

Properties for sale comprise properties acquired and built as part of larger developments which are held for sale.

Note 12 – Prior Year Adjustments

The policy for accounting for shared ownership properties was changed during the year to reflect the Statement of Recommended Practice, 'Accounting for Registered Social Landlords 2008'. The sales proceeds for the first tranche sale of such properties is included within turnover and the cost or carrying value of the property is included within cost of sales.

The effects of the change in policy on the Group is summarised below:

	2008/09	2007/08
	£'000	£'000
Income & Expenditure Account		
Turnover	8,060	8,973
Cost of sales	<u>(6,062)</u>	<u>(5,285)</u>
	<u>1,998</u>	<u>3,688</u>
Balance Sheet		
Fixed assets	(4,870)	3,303
Current assets	4,724	7,691
Recycled capital grant	-	(323)
(Decrease) / increase in net assets	<u>(146)</u>	<u>10,671</u>

The prior year adjustments have not resulted in any impact on the cashflow statement.

Note 13 - Stocks

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Consumables	172	160	172	-

Notes to the Financial Statements – continued

Note 14 - Debtors

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Gross arrears of rent and service charges	4,072	3,493	-	-
Bad debt provision	(1,797)	(1,940)	-	-
Net tenant arrears	2,275	1,553	-	-
Corporation tax	312	96	-	32
Social Housing Grant receivable	2,984	10,625	-	-
Other taxation and social security	49	24	-	-
Non liquid assets	1,804	1,804	-	-
Trade debtors	970	1,661	-	2
Other debtors & prepayments	11,585	2,276	3,172	46
Amounts due from subsidiary companies	-	-	2,671	1,063
Interest due from subsidiary companies	-	-	-	333
Amounts due within one year	19,979	18,039	5,843	1,476
Loans due from subsidiary company*	-	-	106,500	100,000
Amounts due after one year	-	-	106,500	100,000

Non-liquid assets are assets held as loan security.

*Under the Group funding arrangement, loans made to subsidiary companies are repayable over 30 years.

Note 15 - Cash at bank and short term investments

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Short term investments	3,900	3,364	-	-
Bank overdraft	(46)	(558)	-	-
Cash at bank and in hand	20,522	18,059	481	1,065
Cash at bank	20,476	17,501	481	1,065

There is a right of set-off between the bank overdraft and any cash held at that bank.

Notes to the Financial Statements – continued

Note 16 - Creditors: Amounts falling due within one year

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Housing Loans	10,968	15,222	9,000	15,000
Trade Creditors	2,421	2,288	37	375
Rent and service charges received in advance	1,748	1,648	-	-
SHG received in advance	53	7,156	-	-
Amount due to subsidiary companies	-	-	3,366	1,692
Recycled Capital Grant Fund (see Note 18)	5,717	3,184	-	-
Disposal Proceeds Fund (see Note 18)	-	425	-	-
Corporation tax	315	593	212	4
Other taxation and social security payable	1,104	461	644	61
Other creditors and accruals	22,975	14,264	2,749	300
Interest due and payable	1,138	2,506	-	333
Right to buy profit share agreement	1,954	1,845	-	11
	48,393	49,592	16,008	17,776

Note 17 - Creditors: Amounts falling due after more than one year

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Housing Loans falling due after more than one year	413,207	356,899	97,500	85,000
Recycled Grant Fund and Disposal Proceeds Fund	10,792	10,715	-	-
Deferred Income	178	199	-	-
Balance Sheet	424,177	367,813	97,500	85,000
Housing loans falling due after more than one year	413,207	356,899	97,500	85,000
Unamortised net premiums received on issue	(342)	(258)	-	-
Loan principal outstanding	412,865	356,641	97,500	85,000

Loans are secured by fixed mortgages over the housing properties and fixed charges over bank accounts. Interest rates are fixed within a range of 3.19% to 11.5% or vary with the market and are repayable in instalment which are due as follows:-

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
In one year or less	10,968	15,222	9,000	15,000
Between one and two years	1,925	123	-	7,000
Between two and five years	5,827	6,687	-	7,850
In five years or more	371,812	327,338	97,500	70,150
	390,532	349,370	106,500	100,000
Loans repayable otherwise than by instalment:				
In five years or more	33,301	22,493	-	-
	423,833	371,863	106,500	100,000

Notes to the Financial Statements – continued

Note 18 - Group Recycled capital grant fund & disposal proceeds fund

	Recycled Capital Grant Fund £'000	Disposal Proceeds Fund £'000
As at 1 April 2008	13,517	807
Interest accrued	529	18
Grants recycled	2,078	(440)
As at 31 March 2009	16,124	385

Section 24 of the Housing Act 1996 requires Registered Providers to credit to a Disposal Proceeds Fund the net proceeds of Right to Acquire and Voluntary Purchase Grant Sales. The purpose of the Disposal Proceeds Fund is to provide replacement properties for rent, at no greater cost than properties provided through the Approved Development Programme. If the net proceeds remain unspent after the third year, the funds become repayable to The Homes & Communities Agency (HCA, formerly The Housing Corporation).

The Recycled Capital Grant Fund relates to Social Housing or Housing Association Grant previously received on social housing properties that have been sold, demolished or for which there has been a change of use which does not meet the original conditions of the Grant. The HCA permits grants to be re-invested within a three year period into schemes within the Approved Development Programme. The HCA requires funds which have not been re-invested within three years to be re-paid.

Note 19 – Group reserves

	Revenue Reserve	Restricted Reserve	Designated Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2008	52,540	962	7,145	39	60,686
Prior year adjustment (note 12)	10,671	-	-	-	10,671
As at 1 April 2008 as restated	63,211	962	7,145	39	71,357
Surplus for year	4,348	-	-	-	4,348
Realisation of revaluation reserve surplus	-	-	-	99	99
Actuarial loss on pension scheme (net of deferred tax)	(3,249)	-	-	-	(3,249)
Transfers in / (out) of reserves	1,007	(596)	(411)	-	-
As at 31 March 2009	65,317	366	6,734	138	72,555

Notes to the Financial Statements – continued

Note 20 – Company reserves

	Revenue Reserve 2009 £'000	Revenue Reserve 2008 £'000
As at 1 April 2008	(156)	(145)
Surplus for period after tax	368	(11)
As at 31 March 2009	212	(156)

The shareholders are not entitled to any distribution of surpluses or assets of the company.

Notes to the Financial Statements – continued

Note 21 – Pensions

Pension obligations note - SHPS

Radian Group Limited participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 1 March 2007. From April 2007 there are three benefit structures available, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Group has elected to operate final salary with a 1/60th accrual rate and a career average re-valued earnings with a 1/60th accrual rate benefit structure for active members as at 1 April 2007 and the career average re-valued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007, the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

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

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

The group contributions to the SHPS scheme charged to the Income & Expenditure Account during the year totalled £1,538,284, of which £88,071 was outstanding at the year end.

As at the balance sheet date, there were 372 active members of the Scheme employed by the Group. The Group continues to offer membership of the Scheme to its employees.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

It is not possible, in the normal course of events, to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a past service funding level of 89%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques, rather than member by member calculations and will, therefore, not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the Scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2008.

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

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

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

The valuation was carried out using the following demographic assumptions:-

- Mortality pre-retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% per annum.
- Mortality post-retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% per annum.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.8
Career average re-valued earnings with a 1/60 th accrual rate	14.9

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

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension Scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable.

Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue Scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The



Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any Scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

The next full actuarial valuation will be carried out as at 30 September 2008.

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.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt, therefore, includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt, therefore, depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group 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 2008. As of this date the estimated employer debt for the Group was £37,185,000.

Pension obligations note - growth plan

The Group participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state Scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension Scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The Group did not make any contributions during the accounting period. Members paid contributions at an average rate of 11.5% during the accounting period.

As at the balance sheet date there were three active members of the Plan employed by the Group. The Group continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Growth Plan is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes and benefits are paid from the total Scheme costs. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The last formal valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% per annum
• Investment return pre-retirement	7.6
• Investment return post-retirement	
Actuals/Deferreds	5.1
Pensioners	5.6
• Bonuses on accrued benefits	0.0
• Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next ten years.

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

Notes to the Financial Statements – continued

Note 21 – Pensions continued

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision, the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within ten years, if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next ten years. These "best estimate" assumptions are 8.4% per annum pre-retirement and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue Scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Pensions Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis; i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. As of this date the estimated employer debt for the Group was £11,990.

Pension obligations note - NHS pension Scheme for England and Wales Pension Costs

The NHS Pension Scheme is an unfunded, defined benefit Scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England

and Wales. As a consequence, it is not possible for the Group to identify its share of the underlying Scheme liabilities. Therefore, the Scheme is accounted for as a defined contribution Scheme and the cost of the Scheme is equal to the contributions payable to the Scheme for the accounting period.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

Employers' pension costs contributions are charged to operating expenses as and when they become due. Employer contribution rates are reviewed every four years (previously five years) following a Scheme valuation carried out by the Government Actuary. On advice from the Actuary, the contribution may be varied from time to time to reflect changes in the Scheme's liabilities. At the last valuation on which contribution rates were based (31 March 2009) employer contribution rates at 14% of pensionable pay were unchanged. The next funding valuation will be in 2014.

The total employer contribution payable in 2008/09 was £138,718 (£194,390 for 2007/08). There were no outstanding contributions at 31 March 2009. From 1 April 2008, employee contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay, depending on total earnings.

In addition, the Scheme is subject to a full valuation for FRS17 accounting purposes every four years. The last valuation published took place as at 31 March 2008. Between valuations, the Government Actuary provides an update of the Scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Business Services Authority Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from H.M. Stationery Office.

The Scheme is a "final salary" Scheme. Annual pensions are normally based on 1/80th of the best of the last three years' pensionable pay for each year of service. A lump sum, normally equivalent to three years' pension, is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the 12 months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

The Scheme also provides for death benefits, with a death gratuity of twice final year pensionable pay for death in service and up to five times the annual pension for death after retirement payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement, the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Except for where the retirement is due to ill health, additional pension liabilities arising from early retirements are met by the Scheme and re-charged to the employee's former employer. The full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the Authority commits itself to the retirement, regardless of the method of payment.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

Pension Commitments

FRS17 Retirement benefits (Hampshire County Council)

The group contributions to the Hampshire County Council pension scheme charged to the Income and Expenditure Account in the period were £128,071, of which £15,357 was outstanding at year end.

Under FRS17, the Group is required to disclose the following information about the Scheme and in the Group's balance sheet.

The full actuarial valuation at 31 March 2008 was updated to 31 March 2009 by qualified independent actuaries and showed that the market value of the Scheme's assets was £5.26 million and that the actuarial value of these assets represented 63% of the benefits that had accrued to Members.

The assets in the Scheme and the expected rates of return at 31 March 2009 were:

	31-Mar-09	31-Mar-09	31-Mar-08	31-Mar-08	31-Mar-07	31-Mar-07
	Long Term		Long Term		Long Term	
	Rate of	Value	Rate of	Value	Rate of	Value
	Return	£m	Return	£m	Return	£m
	%	£m	%	£m	%	£m
Equities	7.0	2.90	7.6	3.70	7.7	4.03
Government Bonds	4.0	1.44	4.6	1.59	4.7	1.26
Corporate Bonds	5.8	0.21	6.8	-	5.3	0.18
Property	6.0	0.38	6.6	0.34	6.7	0.24
Other	1.6	0.33	6.0	0.34	5.6	0.30
Total market value of assets		5.26		5.97		6.01
Present value of scheme liabilities		(8.36)		(6.72)		(8.23)
Net pension liability		<u>(3.10)</u>		<u>(0.75)</u>		<u>(2.22)</u>

The amounts shown were calculated on the basis of the following assumptions:

Notes to the Financial Statements – continued

Note 21 – Pensions continued

	31-Mar-09	31-Mar-08	31-Mar-07
	%	%	%
Discount rate	6.5	6.8	5.3
Rate of increase in salaries	5.1	5.2	4.7
Rate of increase in deferred pensions	3.6	3.7	3.2
Rate of increase in pensions in payment	3.6	3.7	3.2
Inflation assumption	3.6	3.7	3.2

The agreed employer's contribution rate is 18.1% of gross pay for 2008/09 (2007/08: 17%).

	31-Mar-09	31-Mar-08
	£m	£m
Analysis of the amount charged to operating surplus		
Current service cost	(0.11)	(0.17)
Past service cost	-	(0.12)
Total costs included within operating surplus	(0.11)	(0.29)

	31-Mar-09	31-Mar-08
	£m	£m
Analysis of the net finance charge		
Expected return on scheme assets	0.40	0.41
Interest discount on scheme liabilities	(0.46)	(0.44)
Net finance charge included within interest payable and similar charges	(0.06)	(0.03)

In the Statement of Total Recognised Surpluses and Deficits (STRSD):

These are expressed in monetary amounts and as a percentage of:

- (i) Scheme assets at the balance sheet date, and
- (ii) present value of the Scheme liabilities at the balance sheet date.

Notes to the Financial Statements – continued

Note 21 – Pensions continued

	31-Mar-09 £m	31-Mar-09 %	31-Mar-08 £m	31-Mar-08 %	31-Mar-07 £m	31-Mar-07 %
Difference between actual and expected return on scheme assets (i)	(1.17)	(22.2)	(0.51)	(8.6)	(0.01)	(0.20)
Experience gains and losses arising on the scheme liabilities (ii)	(0.66)	(7.9)	0.58	8.7	-	-
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	(0.49)	(27.8)	1.53	22.8	0.09	1.10
Total actuarial (deficits)/gains recognised in the STRSD (ii)	<u>(2.32)</u>	<u>(27.6)</u>	<u>1.60</u>	<u>23.8</u>	<u>0.08</u>	<u>1.00</u>

Analysis of the Movement in the Scheme deficit during the year

	31-Mar-09 £m	31-Mar-08 £m
Opening deficit in the scheme	(0.75)	(2.22)
Current service cost	(0.11)	(0.17)
Contributions by scheme participants	0.14	0.19
Past service costs	-	(0.12)
Other finance costs	(0.06)	(0.03)
Actuarial (losses)/gains	(2.32)	1.60
Closing deficit in the Scheme	<u>(3.10)</u>	<u>(0.75)</u>

	31-March 2009 £m	31-March 2008 £m	31-March 2007 £m	31-March 2006 £m	31-March 2005 £m
Difference between the expected and actual return on assets	(1.17)	(0.51)	(0.01)	0.74	0.21
Value of assets	5.26	5.97	6.01	5.57	4.44
Percentage of assets	(22.2%)	(8.6%)	(0.2%)	13.3%	4.7%
Experience gains on liabilities	(0.66)	0.58	-	-	0.99
Total present value of liabilities	8.36	6.72	8.23	7.79	6.72
Percentage of the present value of liabilities	(7.9%)	8.7%	0.0%	0.0%	14.7%
Actuarial (losses)/gains recognised in STRSD	(2.32)	1.60	0.08	0.16	0.98
Total present value of liabilities	8.36	6.72	8.23	7.79	6.72
Percentage of the total present value of liabilities	(27.8%)	23.8%	1.0%	2.1%	14.6%

Notes to the Financial Statements – continued

Note 21 – Pensions continued

Royal County of Berkshire (RCB) Pension Fund

The group contributions to the Royal County of Berkshire pension scheme charged to the Income and Expenditure Account in the period were £121,519, of which £36,093 was outstanding at year end.

The RCB pension fund is a funded Scheme. The latest formal valuation of the Fund was at 31 March 2007, when the Scheme’s assets were valued at £1,473 million.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The valuation has been up-dated to 31 March 2009 for FRS17 purposes.

The main financial assumptions adopted as at 31 March 2009 were:

	2009	2008	2007
Price increases per annum	3.0%	3.7%	3.2%
Salary increases per annum	4.5%	5.2%	4.7%
Pension increases per annum	3.0%	3.7%	3.2%
Discount rate per annum	6.7%	6.6%	5.4%

Notes to the Financial Statements – continued

Note 21 – Pensions continued

The fair values of each main class of assets held by the whole Fund as at 31 March 2009 and the expected rates of return for the ensuing year are set out in the following table:

	Fair Value 2009	Expected Return 2009	Fair Value 2008	Expected Return 2008	Fair Value 2007	Expected Return 2007
	£'000	%	£'000	%	£'000	£'000
Equities	609,743	7.4	976,732	7.9	1,062,863	7.8
Gilts	92,827	4.0	109,381	4.5	191,972	4.9
Other Bonds	142,915	6.5	111,533	6.6	-	-
Property	105,606	5.5	144,920	5.9	140,166	5.8
Cash	29,377	3.0	46,039	5.0	77,915	4.9
Total (Whole Fund)	980,469		1,388,605		1,472,916	

The proportions of total assets held (in respect of the Group's share of the Fund) in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2009.

Notes to the Financial Statements - continued

Note 21 – Pensions continued

The Group's share of the net assets and liabilities of the Scheme is set out below:

	2009 £'000	2008 £'000
Share of assets in Royal County of Berkshire Pension Fund	3,450	5,000
Present value of scheme liabilities	(5,611)	(6,153)
Group share of deficit in the scheme	(2,161)	(1,153)

Analysis of amount chargeable to operating profit
Amount Charged to Operating Profit

	2009 £'000	2008 £'000
Current Service Cost	(93)	(115)
Curtailment & Settlements	-	(52)
Total Operating Charge	(93)	(167)

Amount credited/(charged) to other finance costs

	2009 £'000	2008 £'000
Expected Return on Employer Assets	356	389
Interest on Pension Scheme Liabilities	(406)	(365)
Net Return	(50)	24

Analysis of Amount Recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(1,830)	(808)
Experience gains & losses arising on the scheme liabilities	-	(93)
Changes in financial assumptions underlying the present value of the scheme liabilities	901	919
Actuarial gain in pension plan	(929)	18

Movement in deficit during the year

	2009 £'000	2008 £'000
(Deficit) at beginning of the year	(1,153)	(1,185)
Current service cost	(93)	(115)
Previous service cost	(3)	-
Employer contributions	84	157
Net return on assets	(50)	24
Settlements/Curtailments	(17)	(52)
Actuarial (losses)/gains	(929)	18
(Deficit) at end of year	(2,161)	(1,153)

History of Experience Gains & Losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected & actual return on assets	(1,830)	(808)	5	738	138
Value of assets	3,450	5,000	5,656	5,245	4,225
Percentage of assets	-	-	-	-	-
Experience gains/(losses) on liabilities	-	3	2	-	206
Present value of liabilities	5,611	6,153	6,841	6,904	5,718
Percentage of the present value of liabilities	-	-	-	-	-
Actuarial gains/(losses) recognised in STRGL	(929)	18	447	(126)	429
Present value of liabilities	5,611	6,153	6,841	6,904	5,718

Notes to the Financial Statements - continued

Note 22-Group Pension Liability

The net pension liability is as follows:

	2009 £'000	2008 £'000
Deficit in Scheme at end of year	5,261	1,903
Associated deferred tax asset	-	-
	5,261	1,903

A deferred tax asset has not been recognised in respect of the pension deficit as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £251,100.

Note 23 - Deferred tax asset

The deferred tax asset is represented by:

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Balance at 1 April	-	184	-	-
Deferred tax charge in the year (Note 6)	-	(184)	-	-
Balance at 31 March	-	-	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation in excess of capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £55,000.

Notes to the Financial Statements - continued

Note 24 - Ultimate parent undertaking

Radian Group Limited is a Registered Provider.

Details of the undertakings over which the Company has control are as follows:

Name of Association	Country of Registration	Nature of Business	Status
The Swaythling Housing Society Limited	England	Registered Provider	Industrial & Provident Society
Portal Housing Association Limited	England	Registered Provider Industrial & Provident Society	exempt charity / Industrial & Provident Society
Swaythling Assured Homes Plc	England	Rental of residential property	Public Limited Company
1999 Housing Society Limited	England	Exempt charity	Industrial & Provident Society
Drum Housing Association Limited	England	Registered Provider	exempt charity / Industrial & Provident Society
Drum Services Limited	England	Leasing and home repairs	Company Limited by shares
Windsor & District Housing Association Limited	England	Registered Provider	Industrial & Provident Society
Turnstone Support Limited	England	Support Services	Industrial & Provident Society
Cerus Homes Limited	England	Rental of property	Company Limited by shares
Longwood Park Limited	England	Registered Provider	Industrial & Provident Society
Oriel Housing Limited	England	Registered Provider	Industrial & Provident Society

All undertakings are 100% owned by Group members.

Note 25 - Group Financial Commitments

The total amount contracted for at 31 March 2008 related to schemes for which Board approval has been received and finance arranged.

	2009 £'000	2008 £'000
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Capital expenditure commitments were as follows:

Major works expenditure contracted but not provided in the accounts	1,983	-
Capital New Build expenditure contracted but not provided in the accounts	11,882	30,872
Total capital commitments	13,865	30,872
Major works, capital New Build or other capital commitment authorised by the Board but not contracted.	-	-

Operating Leases

The payments which the Group is committed to make in the next year under operating leases are as follows:

Buildings: leases which expire		
within one year	400	909
two to five years	48	75
more than five years	1,496	1,509
Plant and Equipment: leases which expire		
within one year	40	140
two to five years	281	147
more than five years	39	39
	2,304	2,819

Notes to the Financial Statements - continued

Note 26 - Group Contingent Liabilities

Potential Employer debt as a contingent liability:

Following a change in legislation in September 2005 there is now a potential debt on employers that participate in multi-employer pension schemes such as SHPS that could be levied by the Trustee. The Group's liability with regard to employer debt has been calculated as £37,185,000 for the SHPS Scheme and £11,990 for the Growth Plan (see Note 21). We do not see this debt crystallising in the foreseeable future.



Registered office

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Registered under the Companies Act 1985 No. 3482228

Registered by The Tenant Services Authority No. L4172

Member of the National Housing Federation