

The Swaythling Housing Society 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 Society for the year ended 31 March 2009.

Principal Activities

The Swaythling Housing Society Limited is a not for profit organisation administered by a Board of Management. It is an Industrial & Provident Society and is a Registered Provider. It has one subsidiary, 1999 Housing Society Limited, and is a subsidiary of Radian Group Limited, a company Limited by Guarantee and a Registered Provider. This organisation and its parent are subject to regulation by the Tenant Services Authority under the provisions of the Housing Acts. 1999 Housing Society Limited is an exempt charity.

The Society's principal activity is the provision of quality, cost effective housing and related services.

At 31 March 2009, the Society owned and managed 6,761(2008: 6,264) properties in 20 local authority areas in Hampshire, Dorset, Wiltshire and Berkshire. 78% (2008: 81%) of the homes are general needs, rented accommodation predominantly for families and a further 13% (2008: 14%) are shared ownership properties. 4% (2008: 5%) of the homes are supported and sheltered housing, with the balance being market rented and student accommodation. It employs 97 people (2008: 221 people), and has tangible fixed assets with a book cost of £207 million (2008: £178 million).

Over 31% of the homes are concentrated in Southampton, with a further 30% in the neighbouring boroughs of Eastleigh and New Forest.

The head office and the facilities for the direct labour organisation (Radian Technical Services) occupy a single purpose-built complex in Eastleigh. There is also an area office in Ringwood.

The Society has developed, or acquired when new, the majority of the homes it owns and manages. Of the homes where the Society has a repairing liability, over 21% were built in the last five years, with a further 41% being built in the previous decade. The remaining quarter of the properties were acquired over the previous 70 years. These homes have all been kept in a very good state of repair, the Society having complied with the Decent Homes Standards on all but 33 properties at 31 March 2009 (2008: 45 properties), a year ahead of the 2010 deadline.

The Society measures its performance, primarily, by the Key Performance Indicators set by the Tenant Services Authority and its lenders. The Society has also been given a rating of 2-star service with excellent prospects for improvement by the Audit Commission. This is a significant achievement, having been equalled or bettered by only a very small number of housing associations.

Operating and Financial Review 2008/2009

Business Review

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

In 2003, the Society, as part of the Oriel Group, formed the Wayfarer Development Consortium with seven other Registered Social Landlords. Through Wayfarer, it has been able to maintain its developer status over the last four social housing grant bid rounds.

Board of Management Report (continued)

During the year, Wayfarer received over £48 million of grant (2008: £52 million) funding the delivery of 1,360 homes (2008: 879 homes).

All of 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 during the year were carried out by the direct labour organisation. The direct labour organisation also carries out the bulk of grounds maintenance for the Society, although a contractor carries out this work in outlying areas across the Society's stock.

The balance sheet reflects the continued growth of the Society, with the investment in fixed assets and long term investments rising to £488 million (2008: £401 million), funded by £37 million reserves (2008: £28 million), £248 million grant and other public subsidy (2008: £226 million) and £169 million loans (2008: £133 million). Of these loans, bank lending represents £134 million (2008: £96 million) and £35 million (2008: £37 million) by loans funded by the issue of bonds.

The Society increased the number of homes it owned and managed by 497 compared with 202 during 2007/08. The Society still has a healthy development programme. During the year, 156 homes (2008: nil) were purchased from another social landlord.

At the year-end, the Society had £27 million variable rate borrowings (2008: £5 million), with the majority of loans being fixed to maturity. Less than £10 million (2008: £1 million) of the borrowings are re-payable within five years.

The Society does not use stand-alone hedging instruments.

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.

Risk and Uncertainties

The Society 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 majority of the Society's borrowings have been raised at fixed rates of interest, giving a high level of certainty over future interest costs.

At the year end, the Society had almost £69 million invested in HomeBuy loans (2008: £50 million), of this £60 million was supported by funding from The Homes & Communities Agency (2008: £49 million). The balance of £9 million (2008: £1 million) was funded by the Society, from its cash resources, principally in MyChoice HomeBuy loans. 50% of each of these loans is funded by The Homes & Communities Agency, but the Society is exposed if the borrower defaults and the bad debt exceeds The Homes & Communities Agency funding for that

Board of Management Report (continued)

loan. A provision has been made for bad debts. We commenced lending with the MyChoice HomeBuy programme during the year.

Future Developments

The Society has available to it just under £12 million (2008: £17 million) of future grant funding and it anticipates borrowing a further £27 million (2008: £65 million) to complete developments which it has committed The Homes & Communities Agency to procure over the next four years. The Society is also committed to providing 325 MyChoice HomeBuy loans for which it has received over £12 million of grant and will require over £6 million of additional borrowing. It has available borrowing facilities of £76 million (2008: £121 million) to facilitate this. It is confident of raising the additional funding required to complete this programme.

Of the surplus after tax of £1,596,798 (2008: £3,560,000), £162,000 (2008: £104,000) has been transferred to designated reserves, reflecting future major repairs expenditure.

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

Board of Management

The Board of Management consists of eight 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, with one resident member.

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

- Richard Barritt, Chair
- Christopher Tapp, Vice Chair
- Councillor Matthew Dean
- Stephen Haynes
- John Mills
- Pat Scriven
- Nigel Selley
- Carole Winkworth

Shirely Pitman and Amarjit Singh joined the Board in April 2009.

The Board of Management met five times in the year, and was supported by the Audit Committee, Remuneration & Nominations Committee, Monitoring & Integration Committee, New Business Committee, the Eviction Panel and the following working groups:

- Pensions Working Party
- Continuous Improvement Steering Group

The membership of all the Boards in the Radian Group was reviewed during the period in conjunction with a tenant recruitment exercise.

The Society'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 Society aims to continue to expand the number of homes and the range of services it provides.

Board of Management Report (continued)

The Society continues to achieve high levels of financial and non-financial performance. The overall quality of performance has been borne out by an Audit Commission inspection, which reported the provision of a good two 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.

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 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

Board of Management Report (continued)

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.

- **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 and 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 31 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.

Going Concern

In its consideration of going concern, the Board has reviewed the Society'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 Society's financial statements on a going concern basis.

Board of Management Report (continued)

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

In determining that Swaythling 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 Society.

After making enquiries, the Board has a reasonable expectation that the Society 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 Society'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 Society's auditors are aware of that information.

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

A resolution to re-appoint Deloitte LLP as the Group's auditors will be proposed at the Annual General Meeting.

By order of the Board of Management

R Barritt
Chair
30 June 2009

Statement of 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.

Industrial and Provident Society law and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Society at the end of the year, and of the surplus or deficit of the Society for the year then ended. In preparing those 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; and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: 'Accounting by Registered Social Landlords 2008'.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Society'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 Shareholders of The Swaythling Housing Society Limited

We have audited the financial statements of The Swaythling Housing Society Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet and the related Notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board of Management and Auditors

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

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

We also report to you, if, in our opinion, the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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 Industrial and Provident Societies Act 1963 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the Board of Management's Report is consistent with the financial statements. The information given in 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-referred from the Business Review section of the Board Report.

In addition, we report to you if, in our opinion, the Society 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.

Independent Auditor's Report to the Shareholders of The Swaythling Housing Society Limited (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of

evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society'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 the Society's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; 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: 25 August 2009

Income and Expenditure Account

Year ended 31 March 2009

	Notes	2008/09 £'000	2007/08 As restated See Note 12 £'000
Turnover	2	32,073	30,554
Cost of sales	2	(4,003)	(3,495)
Operating costs	2	(16,852)	(15,356)
Exceptional costs (Net)	2	(654)	-
Operating Surplus		10,564	11,703
Other surplus from sale of housing properties	2	3,895	4,431
Interest receivable and similar income	3	441	1,149
Interest payable and similar charges	4	(10,213)	(8,917)
Surplus on Ordinary Activities before taxation		4,687	8,366
Gift Aid		(3,090)	(4,320)
Tax on surplus on ordinary activities	6	-	(486)
		1,597	3,560

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

None of the Society's activities were discontinued during the above two financial years.

The Notes on pages 13 to 32 form part of these financial statements.

There are no recognised gains or losses other than the surplus shown above of £1,596,798 in the year ended 31 March 2009 and the restated surplus of £3,560,000 in the year to 31 March 2008, and accordingly no Statement of Total Recognised Surpluses and Deficits is presented.

The movement on accumulated reserves is set out in Note 20 to the financial statements.

Balance Sheet

Year ended 31 March 2009

	Notes	2008/09 £'000	2007/08 As restated - see note 12 £'000
Fixed assets			
Housing Properties at depreciated cost	9	385,258	345,914
Social Housing Grant	9	(187,292)	(177,082)
		197,966	(168,832)
Net book value of housing properties			
Homebuy loan	10	68,894	49,512
Homebuy grant	10	(60,387)	(48,997)
Other fixed assets	9	8,787	8,991
		215,260	178,338
Total fixed assets			
Current assets			
Stocks	12	-	160
Properties for sale	10	3,352	4,508
Debtors	13	13,412	14,159
Cash at bank and in hand	14	5,613	1,329
		22,377	20,156
Creditors: Amounts falling due within one year	15	(21,532)	(20,768)
		845	(612)
Net current liabilities			
		216,105	177,726
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	16	179,485	142,802
Capital & Reserves			
Called up share capital	18	-	-
Designated reserve	19	6,680	6,518
Revenue reserve	19	29,802	28,367
Investment valuation reserve	19	138	39
		36,620	34,924
Society's funds		216,105	177,726

The Notes on pages 13 to 32 form part of these financial statements.

The financial statements on pages 11 to 32 were approved by the Board and authorised for issue on 30 June 2009. They were signed on its behalf by:

R Barritt
Chair

C Tapp
Vice Chair

A R Newberry
Secretary

Notes to the Financial Statements

Note 1 - Accounting Policies

Legal Status

The Society is registered under the Industrial & Provident Societies Act 1965 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 United Kingdom 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 Industrial & Provident Societies Acts 1965 to 2002. This is the first year for which the 2008 SORP has been adopted, the impact of which is shown in Note 12.

The financial statements have been prepared under the historic cost convention. 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 6 of the Directors Report.

The principal accounting policies are set out below.

Basis of Preparation

Under Financial Reporting Standard 1 The Swaythling Housing Society Limited is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Society in its own consolidated financial statements.

As The Swaythling Housing Society Limited is a wholly owned subsidiary of Radian Group Limited, it has taken advantage of the exemption contained in FRS8 and, therefore, has not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Radian Group Limited, within which this Society is included, can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

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 shared ownership properties) and other services at invoiced value, excluding VAT.

Value Added Tax

The Society is VAT registered, but a large proportion of its income, namely rent, is exempt for VAT purposes and thus gives rise to 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.

Notes to the Financial Statements (continued)

Note 1 – Accounting Policies - continued

Pensions

The Society participates in the industry-wide, multi-employer 'Social Housing Pension Scheme ('SHPS'). It is a defined benefit pension scheme and retirement benefits to employees of the Society are funded by contributions from the employers and employees participating in the scheme. The assets of the scheme are held separately from those of the Society.

The Society also participates in the Pensions Trust Growth Plan. The Plan is funded and is not contracted out of the state scheme. It is a multi-employer pension plan.

The Society is unable to identify its share of the underlying assets and liabilities of the SHPS scheme on a consistent and reasonable basis and, therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. 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 gains and losses, actuarial gains and losses.

Fixed Assets - Housing Properties

Properties included in housing assets are stated at cost being:-

- 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. Grants received for revenue expenditure are credited to the income and expenditure account.

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 Society 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 investment in 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 Society 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 Society 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, 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 Society, or for the Society, depends on whether the Society carries the financial risk. Where the Society carries the financial risk, 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 Society has been included.

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 investment are recognised in the income and expenditure account.

Notes to the Financial Statements (continued)

Note 2 – Particulars of turnover, cost of sales, operating costs and operating surplus

	2008/09					2007/08 As restated See Note 12	
	Turnover	Cost of Sales	Operating Costs	Exceptional Costs (Net)	Operating Surplus / (Deficit)	Turnover	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	25,974	-	(15,749)	-	10,225	24,120	10,791
Other Social Housing Activities							
Development administration	-	-	(494)	-	(494)	-	(883)
Development Agency	-	-	-	-	-	9	9
Shared ownership first tranche sales	5,630	(4,003)	-	-	1,627	5,077	1,772
Sales of Housing Accommodation	-	-	-	-	-	457	(69)
Inter-company management services	268	-	-	-	268	326	326
Gift Aid and donations	-	-	-	(654)	(654)	-	-
Tenancy Support	66	-	(72)	-	(6)	152	8
Other	135	-	(537)	-	(402)	413	(251)
	32,073	(4,003)	(16,852)	(654)	10,564	30,554	11,703

Particulars of income and expenditure from social housing lettings

	2008/09					2007/08 As restated See Note 12	
	General Needs Housing	Supported Housing	Shared Ownership Accom	Other	Total	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income Lettings							
Rent receivable net of identifiable service charges	21,850	498	1,452	952	24,752		22,604
Service income	562	159	349	105	1,175		1,481
Charges for support services	4	43	-	-	47		35
Net Rental Income	22,416	700	1,801	1,057	25,974		24,120
Expenditure on Social Housing Letting							
Services	(1,181)	(76)	(8)	-	(1,265)		(1,201)
Care and support services	(101)	-	-	-	(101)		(138)
Management	(3,623)	(256)	(287)	(161)	(4,327)		(3,596)
Routine maintenance	(3,378)	-	-	-	(3,378)		(3,282)
Planned maintenance	(759)	-	-	-	(759)		(428)
Bad debts	(174)	(8)	-	(1,915)	(2,097)		(381)
Major repairs expenditure	(2,606)	-	-	-	(2,606)		(3,217)
Depreciation of housing properties	(1,095)	(2)	(76)	(25)	(1,198)		(1,069)
Garages	(5)	-	-	-	(5)		(3)
Environmental improvements	(13)	-	-	-	(13)		(14)
Operating Cost on Social Housing Lettings	(12,935)	(342)	(371)	(2,101)	(15,749)		(13,329)
Operating Surplus/(Deficit) on Social Housing Lettings	9,481	358	1,430	(1,044)	10,225		10,791
Void Losses	(111)	(8)	(10)	(81)	(210)		(139)

Notes to the Financial Statements (continued)

Note 2 – Particulars of turnover, cost of sales, operating costs and operating surplus - continued

Other surplus from sales of housing properties

	2008/09	2007/08
		As restated
		See Note 12
	£'000	£'000
Sale proceeds	6,419	9,843
Less: Cost of sales	(2,524)	(5,412)
Net other surplus from sale of properties	3,895	4,431

Accommodation in management

	2008/09	2007/08
	Number of	Number of
	Units	Units
General needs	5,290	4,867
Low cost home ownership	891	884
Supported Housing	19	19
Market rented	139	138
Managed for others	422	356
Total	6,761	6,264

Accommodation managed by others

	2008/09	2007/08
	Number of	Number of
	Units	Units
The Society of St James	16	20
New Support Options	-	20
Scope	6	6
Lifeways	5	-
Choice Support	6	6
Rainbow Project	8	8
Macintyre Care	6	4
Ability Housing	4	4
Two Saints	12	24
Hampshire Partnerships NHS Trust	2	-
Home Group	17	-
Stonham Housing Association	34	22
Total	116	114

Notes to the Financial Statements (continued)

Note 3 - Interest receivable and similar income

	2008/09 £'000	2007/08 £'000
Interest receivable		
Interest receivable from bank and building society deposits	267	299
Homebuy repurchase scheme	80	714
Other income		
VAT recovery	58	95
Surplus on disposal of assets and (net) non-housing activities	36	41
	441	1,149

Note 4 - Interest payable and similar charges

	2008/09 £'000	2007/08 £'000
On Housing loans:		
Repayment wholly or partly in more than five years	9,669	8,520
On Recyclable Social Housing Grant (see Note 18)	544	397
	10,213	8,917

No interest has been capitalised during the year.

Note 5 - 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	1,656	1,444
Auditors' remuneration:		
in their capacity as auditors	26	26
in respect of taxation advice	15	15

Notes to the Financial Statements - continued

	2008/09 £'000	2007/08 £'000 As restated Note 12
Note 6 – Taxation		
Surplus on ordinary activities after Gift Aid and before taxation	1,597	4,046
Surplus on ordinary activities before taxation multiplied by the standard rate of UK Corporation Tax of 28% (2008: 30%)	447	1,214
Effects of:		
Non-deductible expenses	519	302
Capital allowances in excess of depreciation	39	(64)
Adjustments to previous periods	-	(66)
Non taxable profit on group transfer of properties	(1,005)	(916)
Difference between accounting and tax treatment on disposal of properties	-	9
Short term timing differences/other tax adjustments	-	7
Current Tax Charge	-	486

Note 7 - Directors' Emoluments

The remuneration paid to the Directors and Executives of the Society (the Board of Management and the Executive Team) was:

	2008/09 £'000	2007/08 £'000
Emoluments (including pension contributions and benefits in kind)	97	558
The emoluments (excluding pension contributions) of the highest paid director (the Chief Executive)	87	131

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

Note 8 - Staff costs

The average number of employees expressed in full time equivalents (including the Chief Executive) during the period was:

	2008/09 Number	2007/08 Number
Office staff	71.8	148.0
Resident managers, caretakers, cleaners	8.8	11.5
Maintenance	-	61.5
	80.6	221.0
	2008/09 £'000	2007/08 £'000
Staff Costs (for the above employees)		
Wages and salaries	1,826	6,359
Social security costs	185	531
Other pension costs	204	597
	2,215	7,487

Note 9 - Tangible fixed assets

	Housing Properties Held for Letting	Shared Ownership Properties	Other Properties	Total Completed Housing Properties	Housing Properties Held for Letting in the Course of Construction	Shared Ownership Properties in the Course of Construction	Total Housing Properties in the Course of Construction	Total Housing Properties	Freehold Premises	Leasehold Premises	Plant Machinery Fixtures & Vehicles	Total Non-property Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost													
At 1 April 2008	288,064	39,210	3,632	330,906	15,333	3,932	19,265	350,171	717	7,963	2,092	10,772	360,943
Prior year Adjustments (see Note 12)	297	4,142	-	4,439	-	(1,652)	(1,652)	2,787	-	-	-	-	2,787
As 1 April 2008 restated	288,361	43,352	3,632	335,345	15,333	2,280	17,613	352,958	717	7,963	2,092	10,772	363,730
Schemes completed	29,517	5,263	-	34,780	(29,517)	(5,263)	(34,780)	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	35	-	117	152	152
Additions to completed properties	796	-	-	796	40,737	5,661	46,398	47,194	-	-	-	-	47,194
Intra-Group transfers	(2,379)	-	-	(2,379)	-	-	-	(2,379)	-	-	-	-	(2,379)
Disposals	(4,090)	(234)	-	(4,324)	-	-	-	(4,324)	-	-	(101)	(101)	(4,425)
At 31 March 2009	312,205	48,381	3,632	364,218	26,553	2,678	29,231	393,449	752	7,963	2,108	10,823	404,272
Social Housing Grant													
At 1 April 2008	142,979	16,087	-	159,066	8,087	283	8,370	167,436	-	-	-	-	167,436
Prior year adjustments (see Note 12)	(22)	22	-	-	-	-	-	-	-	-	-	-	-
At 1 April 2008	142,957	16,109	-	159,066	8,087	283	8,370	167,436	-	-	-	-	167,436
Schemes completed	9,620	333	-	9,953	(9,620)	(333)	(9,953)	-	-	-	-	-	-
Additions to completed properties	-	-	-	-	11,125	324	11,449	11,449	-	-	-	-	11,449
Intra-Group transfers	(1,044)	-	-	(1,044)	-	-	-	(1,044)	-	-	-	-	(1,044)
Disposals	(49)	(146)	-	(195)	-	-	-	(195)	-	-	-	-	(195)
At 31 March 2009	151,484	16,296	-	167,780	9,592	274	9,866	177,646	-	-	-	-	177,646
Other Public Subsidy													
At 1 April 2008	9,646	-	-	9,646	-	-	-	9,646	-	-	-	-	9,646
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2009	9,646	-	-	9,646	-	-	-	9,646	-	-	-	-	9,646
Accumulated Depreciation													
At 1 April 2008	7,044	-	-	7,044	-	-	-	7,044	112	187	1,482	1,781	8,825
Prior Year Adjustments (see Note 12)	(793)	482	311	-	-	-	-	-	-	-	-	-	-
At 1 April 2008	6,251	482	311	7,044	-	-	-	7,044	112	187	1,482	1,781	8,825
Charge for the year	1,178	91	39	1,308	-	-	-	1,308	65	11	272	348	1,656
Intra-Group transfers	(51)	-	-	(51)	-	-	-	(51)	-	-	-	-	(51)
Disposals	(110)	-	-	(110)	-	-	-	(110)	-	-	(93)	(93)	(203)
At 31 March 2009	7,268	573	350	8,191	-	-	-	8,191	177	198	1,661	2,036	10,227
Net Book Values at 31 March 2009	143,807	31,512	3,282	178,601	16,961	2,404	19,365	197,966	575	7,765	447	8,787	206,753
Net Book Values at 31 March 2008	129,507	26,761	3,321	159,589	7,246	1,997	9,243	168,832	605	7,776	610	8,991	177,823

Housing properties comprise:

	2008/09 £'000	2007/08 £'000
Freeholds	(178,550)	154,358
Long leaseholds	51	51
	178,601	159,589

Total accumulated amount of Social Housing Grant (SHG) receivable at balance sheet date is as stated above. There were no revenue grants received or receivable at balance sheet date. Public Subsidy is represented by 'free land' which has been made available by a number of local authorities working in partnership with the Society and grants or contributions made to projects which are not SHG. 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. All expenditure on works to existing properties has been charged to the income and expenditure account. (for details please refer to Note 2 - routine maintenance, planned maintenance and major repairs expenditure.



Notes to Financial Statements - continued

Note 10 – Properties for sale

	2008/09	2007/08
		As restated see Note 12
	£'000	£'000
Properties for sale		
Shared ownership schemes:		
Properties under construction	1,940	1,652
Completed properties	1,412	2,856
Total	<u>3,352</u>	<u>4,508</u>

Note 11 - Long term investments

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

Note 12 – Prior year adjustment

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 costs 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	5,630	5,077
Cost of sales	<u>(4,003)</u>	<u>(3,305)</u>
	<u>1,627</u>	<u>1,772</u>
Balance Sheet		
Fixed assets	(3,352)	2,787
Current assets - work in progress	<u>3,352</u>	<u>4,508</u>
Increase in net assets	<u>-</u>	<u>7,295</u>

Note 13 – Stocks

	2008/09 £'000	2007/08 £'000
Consumables	-	160
	<hr/>	<hr/>
	-	160

Note 14 - Debtors

	2008/09 £'000	2007/08 £'000
Arrears of rent and service charges – gross	1,426	1,355
Bad debt provision	(536)	(706)
	<hr/>	<hr/>
Net	890	649
Social Housing Grant receivable	2,984	10,625
Corporation Tax	312	64
Other taxation and social security recoverable	28	28
Debt service reserve and security deposits	1,349	1,349
Amounts due from Group undertakings	1,457	959
Other debtors and prepayments	6,392	485
	<hr/>	<hr/>
	13,412	14,159

Non-liquid assets are assets held as loan security

Note 15 - Cash at bank and short term investments

	2008/09 £'000	2007/08 £'000
Cash at bank	5,613	1,329
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

Note 16 - Creditors: amounts falling due within one year

	2008/09 £'000	2007/08 £'000
Housing loans (see Note 17)	1,930	122
Contractors for certified work	1,822	1,762
Social Housing Grant repayable	53	53
Recycled Capital Grant Fund (see Note 18)	5,448	6,764
Rent Prepayments	811	651
Corporation Tax	-	486
Amounts due to Group undertakings	1,792	2,975
Other taxation and social security payable	164	8
Interest payable	822	1,895
Other creditors	8,690	6,052
	21,532	20,768

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

	2008/09 £'000	2007/08 £'000
Housing Loans falling due after more than one year	168,627	132,564
Disposal proceeds and recycled capital grant funds (see Note 18)	10,858	10,238
Balance Sheet	179,485	142,802
Housing loans falling due after more than one year	168,627	132,564
Unamortised net premiums received on issue	(47)	(54)
Loan principal outstanding	168,580	132,510

Housing loans are secured by fixed charges on the Society's housing properties valued at £282m. The properties were valued in March 2007 (with subsequent partial valuations) by Countrywide Surveyors on the basis of Market Value Subject to Tenancy. The rates of interest ranged from 4.69% to 11.50% and are repayable in instalments which are as follows:

	2008/09 £'000	2007/08 £'000
In one year or less (see Note 16)	1,930	122
Between one and two years	1,925	123
Between two and five years	5,827	6,187
In five years or more	138,335	103,707
	148,017	110,139
Loan repayable otherwise than by instalment:		
In five years or more	22,493	22,493
	170,510	132,632

Notes to the Financial Statements (continued)

Note 18 - Recycled capital grant fund and disposal proceeds fund	Recycled	Disposal
	Capital Grant	Proceeds
	Fund	Fund
	£'000	£'000
As at 1 April 2008	13,040	216
Interest accrued	526	18
Grants recycled	2,355	151
As at 31 March 2009	15,921	385

Section 24 of the Housing Act 1996 requires Registered Social Landlords 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 - Share capital

Each member of the Management Committee holds a £1 share in the Society

	2008/09	2007/08
	£	£
Shares of £1 each		
Issued and fully paid at 1 April 2008	93	103
Shares issued during the year	-	1
Shares surrendered during the year	(13)	(11)
Shares in issue at 31 March 2009	80	93

The shares do not have a right to any dividend or distribution in winding-up and are not redeemable.

Note 20 - Reserves

	Revenue Reserve	Designated Reserve Major	Investment Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
As at 1 April 2008	21,072	6,518	39	27,629
Prior Year Adjustment (see Note 12)	7,295	-	-	7,295
As at 1 April 2008 as restated	28,367	6,518	39	34,924
Surplus for the year	1,597	-	-	1,597
Movement on Investment Revaluation Reserve	-	-	99	99
2008/09 Major Repairs Allocation	(162)	162	-	-
As at 31 March 2009	29,802	6,680	138	36,620

Notes to the Financial Statements - continued

Note 21 – Pensions

Pension obligations note - SHPS

The Swaythling Housing Society 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:

- 3.1 Final salary with a 1/60th accrual rate.
- 3.2 Final salary with a 1/70th accrual rate.
- 3.3 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 Society 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 and new entrants as at 1 April 2007.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the actuarial 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 employee 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 Society paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date, there were 47 active members of the Scheme employed by the Society. The Society 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 financial assumptions underlying the valuation as at 30 September 2008 were as follows:-

	% per annum 2008/09
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.

The comparative assumptions for the 30 September 2005 valuation were as follows:

	% per annum
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.8
- Rate of salary increases to 30 September 2010	5.0
- Rate of salary increases from 1 October 2010	4.0
- Rate of pension increases	2.5
- Rate of price inflation	2.5

The valuation as at 30 September 2005 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.

Notes the Financial Statements - continued

Note 21 - Pensions, continued

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 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average re-valued earnings with a 1/60 th accrual rate	14.9

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

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

As a result of pension scheme legislation, there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 Society 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 Society was £20,166,000.

The Society 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 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 has sufficient assets to meet its past service liabilities, known as Technical Provisions.

Notes 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 Society did not make any contributions during the accounting period. Members paid contributions at an average rate of 12.2% during the accounting period.

As at the balance sheet date there were three active members of the Plan employed by the Society. The Society 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 assets. 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 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 2008 were:

	30/09/08 % per annum		30/09/05 % per annum
Investment return pre-retirement	7.6		6.6
Investment return post-retirement			
Actives/Deferreds	5.1	}	4.5
Pensioners	5.6		
Bonuses on accrued benefits	0.0		0.0
Rate of price inflation	3.2		2.5

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 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 5.1% per annum post-retirement (actives and deferreds) 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 2008 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 Society 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 Society was £11,990.

Notes the Financial Statements - continued

Note 22 – Ultimate Controlling Party and Subsidiary Investments

The Swaythling Housing Society Limited has a subsidiary, 1999 Housing Society Limited. The Society controls 57% of the voting rights of the subsidiary and also controls the composition of its Management Committee. 1999 Housing Society Limited is incorporated as a charitable Industrial & Provident Society, but is not a Registered Provider and its deficit for the year to 31 March 2009 amounted to £528 (2007/08: £417). At 31 March 2009 the Society's ultimate parent undertaking and ultimate controlling party was Radian Group Limited. The Society has not produced consolidated financial statements because it is a subsidiary of Radian Group Limited. Radian Group Limited is a Registered Social Landlord. Radian Group Limited is the parent of both the largest and smallest group into which The Swaythling Housing Society Limited is consolidated. Consolidated accounts have been prepared separately for the Group as at 31 March 2009 and are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Note 23 - Related party transactions

The Board had two tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.

Note 24 - Contingent liabilities

Following a change in legislation in September 2008 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 Society's liability with regard to employer debt has been calculated as £20,166,000 for the SHPS Scheme and £11,990 for the Growth Plan (see Note 21). We do not anticipate this debt crystallising in the foreseeable future.

Note 25 - Capital commitments

	2008/09 £'000	2007/08 £'0000
Expenditure contracted less certified	11,882	23,230
Expenditure authorised by the Management Committee not contracted	1,983	5,697
	13,865	28,927

Undrawn loan facilities and unsecured equity will cover these outstanding capital commitments.

Registered office

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Registered under the Industrial and Provident Societies Act 1965 No. R10237

Registered by the Tenant Services Authority No. L0689

Member of the National Housing Federation