The Swaythling Housing Society Limited

Financial Statements

For the year ended

31 March 2008

Swaythling Housing

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Swaythling Housing

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Contents

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 2008.

Principal Activities

The Swaythling Housing Society Limited is a not for profit organisation administered by a voluntary Board of management. It is an Industrial & Provident Society and is a Registered Social Landlord. It has one subsidiary, 1999 Housing Society Limited and is a subsidiary of Radian Group Limited, a company limited by Guarantee and a Registered Social Landlord. This organisation and its parent are subject to regulation by The Housing Corporation 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 2008 the Society owned and managed 6,264 properties in 20 local authority areas in Hampshire, Dorset, Wiltshire and Berkshire. 81% of the homes are general needs, rented accommodation predominantly for families and a further 14% are shared ownership properties. 5% of the homes are supported and sheltered housing, with the balance being market rented and student accommodation. It employs 221 people, and has tangible fixed assets with a book cost of £176 million.

Over 35% 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 (SH 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 13% were built in the last five years, with a further 40% 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 45 properties at 31 March 2008, well before the 2010 deadline.

The Society measures its performance, primarily, by the Key Performance Indicators set by The Housing Corporation 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.

Swaythling Housing

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Operating and Financial Review 2007/2008

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 three Housing Corporation bid rounds. During the year, Wayfarer received over £52 million of grant, funding the delivery of 879 homes.

All 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 Society has a significant development programme, which is possible through grant allocations from The Housing Corporation 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.

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

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

The Society does not use stand-alone hedging instruments.

The Society has available to it just under £17 million of future grant funding and it anticipates borrowing a further £65 million to complete developments which it has committed The Housing Corporation to procure over the next four years. It has available borrowing facilities of £121 million to facilitate this. It is confident of raising the additional funding required to complete this programme.

The Society increased the number of homes it owned and managed by 202 compared with 443 during 2006/2007. The Society still has a healthy development programme. Since the year end a further 156 homes have been purchased from another social landlord.

Of the surplus after tax of £1,788,312, £104,000 has been transferred to designated reserves.

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

Swaythling Housing

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The 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 2008 was as follows:-

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

David Hankins, Shmma Quraishe and Paul Singh resigned from the Board in October 2007.

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 Housing Corporation 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.

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 improvements.

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 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 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 is developing a Group approach to fraud prevention following recommendations from the internal auditors. A Group Anti-Fraud and Policy will be 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 31st March 2008 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.

Statement of Disclosure to Auditors

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

Deloitte & Touche LLP were appointed to fill a casual vacancy during the year and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board of Management

R Barritt
Chair
1 July 2008

Statement of Board Members' Responsibilities in Respect of the Financial Statements

The Board Members are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Housing association legislation requires the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the 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 Society and of the surplus or deficit of the Society for that period. In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors' Report to the Shareholders of The Swaythling Housing Society Limited

We have audited the financial statements of The Swaythling Housing Society for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 23. 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 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 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Society has not kept proper accounting records, if a satisfactory system of control over transactions has not been maintained or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. 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 further information outside the Annual Report.

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 2008 and of its surplus for the year then ended; and

- 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.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom

Date: 7 August 2008

Income and Expenditure Account

Year ended 31 March 2008

	Notes	2007/08 £'000	2006/07 £'000
Turnover	**2**	**25,477**	**22,892**
Cost of sales	2	(255)	(530)
Operating costs	2	(15,291)	(15,046)
Exceptional costs (Net)	2	(4,320)	(3,585)
Operating Surplus		**5,611**	**3,731**
Other surplus from sale of housing properties	2	4,431	5,016
Interest receivable and similar income	3	1,149	825
Interest payable and similar charges	4	(8,917)	(8,676)
Surplus on Ordinary Activities before taxation		**2,274**	**896**
Tax on surplus on ordinary activities	6	(486)	-
Surplus on Ordinary Activities for the year		**1,788**	**896**

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 10 to 29 form part of these financial statements

There are no recognised gains or losses other than the surplus shown above of £1,788,312 in the year ended 31 March 2008 and of the surplus £896,192 in the year to 31 March 2007, and accordingly no Statement of Total Recognised Surpluses and Deficits is presented.

The movement on accumulated reserves is set out in Note 18 to the financial statements.

Balance Sheet

Year ended 31 March 2008

	Notes	2007/08 £'000	2006/07 £'000
Fixed Assets			
Housing Properties at depreciated cost	9	343,127	319,697
Social Housing Grant	9	(177,082)	(165,874)
Net book value of housing properties		**166,045**	**153,823**
Homebuy loan		49,512	48,926
Homebuy grant		(48,997)	(48,096)
Other fixed assets	9	8,991	8,839
Total fixed assets		**175,551**	**163,492**
Current Assets			
Stocks	11	160	141
Debtors	12	14,159	7,350
Cash at bank and in hand	13	1,329	3,747
		15,648	11,238
Creditors: Amounts falling due within one year	14	(20,768)	(9,811)
Net Current Assets		**(5,120)**	**1,427**
Total Assets less current liabilities		**170,431**	**164,919**
Creditors: Amounts falling due after more than one year	15	142,802	139,117
Capital & Reserves			
Called up share capital	17	-	-
Designated reserve	18	6,518	6,414
Revenue reserve	18	21,072	19,388
Investment valuation reserve	18	39	-
		27,629	25,802
		170,431	**164,919**

The Notes on pages 10 to 29 form part of these financial statements.

The financial statements on pages 8 to 29 were approved by the Board on 4th July 2008 and 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 Housing Corporation as a social landlord.

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 Update 2005, in accordance with the Accounting Requirement for Registered Social Landlords General Determination 2006 and the Industrial & Provident Societies Acts 1965 to 2002.

The financial statements have been prepared under the historic cost convention. 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.

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.

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.

Notes to the Financial Statements - continued

Note 1 - Accounting Policies, continued

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.

Social Housing Grant (SHG) and Other Public Subsidy

Social Housing Grant (SHG) is receivable from The Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from The Housing Corporation, 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 Housing Corporation. 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.

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.

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 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.

Swaythling Housing

RADIAN

Notes to the Financial Statements - continued

Note 1 - Accounting Policies, continued

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 a contribution towards the cost of building the properties. Final staircasing sales are treated as disposals of fixed assets. Deficits on a scheme are recognised as soon as they are foreseen.

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 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 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
For the first time in 2008, an investment revaluation reserve has been provided. 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.

Swaythling Housing

RADIAN

Notes to the Financial Statements - continued

Note 2

Particulars of turnover, cost of sales, operating costs and operating surplus

	2007/08 Turnover	Cost of Sales	Operating Costs (Net)	Exceptional Costs (Net)	Operating Surplus (Deficit)	2006/07 Turnover Costs	Operating Surplus (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	**24,120**	**-**	**13,329**	**-**	**10,791**	**21,614**	**8,830**
Other Social Housing Activities							
Development administration	-	-	883	-	(883)	-	(669)
Development Agency	9	-	-	-	9	14	14
Sales of housing accommodation	457	255	271	-	(69)	530	(512)
Inter-company management services	326	-	-	-	326	279	279
Gift Aid and donations	-	-	-	4,320	(4,320)	-	(3,585)
Tenancy Support	152	-	144	-	8	207	(124)
Other	413	-	664	-	(251)	248	(502)
Operating Surplus	**25,477**	**255**	**15,291**	**4,320**	**5,611**	**22,892**	**3,731**

Particulars of income and expenditure from social housing lettings

	2007/08 General Needs Housing	Supported Housing	Shared ownership Accom	Other	Total	2006/07 Total
Income Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rent receivable net of identifiable service charges	19,274	653	1,453	1,224	22,604	20,430
Service income	815	133	359	174	1,481	1,128
Charges for support services	-	35	-	-	35	56
Net Rental Income	20,089	821	1,812	1,398	24,120	21,614
Expenditure on Social Housing Letting						
Services	1,122	72	7	-	1,201	1,223
Care and support services	138	-	-	-	138	91
Management	3,004	216	241	135	3,596	3,229
Routine maintenance	3,282	-	-	-	3,282	3,166
Planned maintenance	428	-	-	-	428	541
Bad debts	373	8	-	-	381	405
Major repairs expenditure	3,217	-	-	-	3,217	3,092
Depreciation of housing properties	970	2	72	25	1,069	966
Garages	3	-	-	-	3	2
Environmental improvements	14	-	-	-	14	69
Operating Cost on Social Housing Lettings	**12,551**	**298**	**320**	**160**	**13,329**	**12,784**
Operating Surplus on Social Housing Lettings	**7,538**	**523**	**1,492**	**1,238**	**10,791**	**8,830**
Void Losses	**(131)**	**(8)**	**-**	**-**	**(139)**	**(144)**

Notes to the Financial Statements - continued

Note 2 - continued

Other surplus from sales of housing properties

	2007/08	2006/07
	£'000	£'000
Sale proceeds	9,843	9,293
Less: Cost of sales	(5,412)	(4,277)
Net other surplus from sale of properties	4,431	5,016

Accommodation in management

	2007/08 Number of units	2006/07 Number of units
General needs	4,867	4,735
Low cost home ownership	884	849
Supported Housing	19	18
Market rented	138	139
Managed for others	356	310
Total	**6,264**	**6,051**

Accommodation managed by others

	2007/08 Number of units	2006/07 Number of units
The Society of St James	20	20
New Support Options	20	20
Scope	6	6
Choice Support	6	6
Rainbow Project	8	8
Macintyre Care	4	4
Ability Housing	4	4
Two Saints	24	24
Hampshire Partnerships NHS Trust	-	3
Home Group	-	8
Stonham Housing Association	22	22
Total	**114**	**125**

Notes to the Financial Statements - continued

Note 3 - Interest receivable and similar income

	2007/08 £'000	2006/07 £'000
Interest receivable		
Interest receivable from bank and building society deposits	299	198
Homebuy repurchase scheme	714	425
Other income		
VAT recovery	95	91
Surplus on disposal of assets and (net) non-housing activities	41	111
	1,149	**825**

Note 4 - Interest payable and similar charges

	2007/08 £'000	2006/07 £'000
On Housing loans:		
Repayment within five years by instalments	-	-
Repayment wholly or partly in more than five years	8,520	8,455
	8,520	8,455
On Recyclable Social Housing Grant	397	221
Loan arrangement fees and associated costs	-	-
	8,917	**8,676**

No interest has been capitalised during the year.
The effect of capitalising such interest has not been quantified.

Notes to the Financial Statements - continued

Note 5 - Surplus on ordinary activities before taxation

	2007/08 £'000	2006/07 £'000
Surplus on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	1,444	1,317
Auditors' remuneration:		
in their capacity as auditors	26	26
in respect of other services	15	20

Notes to the Financial Statements - continued

Notes 6 – Taxation

	2007/08 £'000	2006/07 £'000
Surplus on ordinary activities before taxation	2,274	896
Surplus on ordinary activities before taxation multiplied by the standard rate of UK Corporation Tax of 30% (2007: 30%)	682	269
Effects of:		
Non-deductible expenses	302	-
Impairment and depreciation add back	-	395
Capital allowances in excess of depreciation	(64)	(167)
Adjustments to previous periods	(66)	-
Non taxable profit on group transfer of properties	(916)	-
Difference between accounting and tax treatment on disposal of properties	541	(647)
Short term timing differences/other tax adjustments	7	150
	(196)	(269)
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:

	2007/08 £'000	2006/07 £'000
Emoluments (including pension contributions and benefits in kind)	558	530
The emoluments (excluding pension contributions) of the highest paid director (the Chief Executive)	131	117

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 FTE (including the Chief Executive) during the period was:

	2007/08	2006/07
Office staff	148.00	144.00
Resident managers, caretakers, cleaners	11.50	8.50
Maintenance	61.50	63.00
	221.00	215.50

	2007/08 £'000	2006/07 £'000
Staff Costs (for the above employees)		
Wages and salaries	6,359	5,731
Social security costs	531	486
Other pension costs	597	442
	7,487	6,659

Notes to the Financial Statements - continued

Note 9 - Tangible fixed assets

	Housing Properties Held for Letting	Shared Ownership Properties	Other Properties	Total Housing Properties	Housing Properties Held for Letting in the Course of Construction
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2007	272,658	33,405	3,632	309,695	13,664
Schemes completed	19,072	6,823	-	25,895	(19,072)
Additions	-	-	-	-	-
Additions to completed properties	883	-	-	883	20,608
Intra-Group transfers	(4,364)	-	-	(4,364)	-
Disposals	(53)	(1,019)	-	(1,072)	-
At 31 March 2008	288,196	39,209	3,632	331,037	15,200
Social Housing Grant					
At 1 April 2007	131,995	16,351	-	148,346	7,786
Scheme completed	12,801	334	-	13,135	(12,801)
Additions to completed properties	-	-	-	-	13,101
Intra-Group transfers	(1,793)	-	-	1,793	-
Disposals	(24)	(598)	-	(622)	-
At 31 March 2008	142,979	16,087	-	159,066	8,086
Other Public Subsidy					
At 1 April 2007	9,646	-	-	9,646	-
Additions	-	-	-	-	-
At 31 March 2008	9,646	-	-	9,646	-
Accumulated Depreciation					
At 1 April 2007	6,068	-	-	6,068	-
Charge for the year	1,069	-	-	1,069	-
Intra-Group transfers	(74)	-	-	(74)	-
Disposals	(19)	-	-	(19)	-
At 31 March 2008	7,044	-	-	7,044	-
Net Book Values at 31 March 2008	128,527	23,122	3,632	155,281	7,114
Net Book Values at 31 March 2007	124,949	17,054	3,632	145,635	5,878

	2007/08	2006/07
	£'000	£'000
Housing properties comprise:		
Freeholds	155,230	145,584
Long leaseholds	51	51
	155,281	145,635

Shared Ownership Properties	Other Properties in the Course of Construction	Housing Properties in the Course of Construction	Sub Total	Freehold Premises	Leasehold Premises	"Plant" Machinery Fixtures & Vehicles	Sub Total	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,406	-	16,070	325,765	717	7,800	1,928	10,445	336,210
(6,823)	-	(25,895)	-	-	-	-	-	-
-	-	-	-	-	163	365	528	528
8,351	-	28,959	29,842	-	-	-	-	29,842
-	-	-	(4,364)	-	-	-	-	(4,364)
-	-	-	(1,072)	-	-	(201)	(201)	(1,273)
3,934	-	19,134	350,171	717	7,963	2,092	10,772	360,943
96	-	7,882	156,228	-	-	-	-	156,228
(334)	-	(13,135)	-	-	-	-	-	-
522	-	13,623	13,623	-	-	-	-	13,623
-	-	-	(1,793)	-	-	-	-	(1,793)
-	-	-	(622)	-	-	-	-	(622
284	-	8,370	167,436	-	-	-	-	167,436
-	-	-	9,646	-	-	-	-	9,646
-	-	-	-	-	-	-	-	-
-	-	-	9,646	-	-	-	-	9,646
-	-	-	6,068	100	122	1,384	1,606	7,674
-	-	-	1,069	12	65	298	375	1,444
-	-	-	(74)	-	-	-	-	(74)
-	-	-	(19)	-	-	(200)	(200)	(219)
-	-	-	7,044	112	187	1,482	1,781	8,825
3,650	-	10,764	166,045	605	7,776	610	8,991	175,036
2,310	-	8,188	153,823	617	7,678	544	8,839	162,662

Total accumulated amount of Social Housing Grant (SHG) received or 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 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.

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 - Long term investments

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

Note 11 - Stocks

	2007/08 £'000	2006/07 £'000
Consumables	160	141
	160	141

Note 12 - Debtors

	2007/08 £'000	2006/07 £'000
Arrears of rent and service charges – gross	1,355	944
Bad debt provision	(706)	(376)
Net	649	568
Social Housing Grant receivable	10,625	4,396
Corporation Tax	64	374
Other taxation and social security recoverable	28	162
Debt service reserve and security deposits	1,349	1,024
Amounts due from Group undertakings	959	31
Other debtors and prepayments	485	795
	14,159	7,350

Non-liquid assets are assets held as loan security

Note 13 - Cash at bank and short term investments

	2007/08 £'000	2006/07 £'000
Cash at bank	1,329	3,747
	1,329	3,747

Notes to the Financial Statements - continued

Note 14 - Creditors: amounts falling due within one year

	2007/08 £'000	2006/07 £'000
Housing loans	122	114
Contractors for certified work	1,762	2,042
Social Housing Grant repayable	53	53
Recycled Capital Grant Fund	6,764	-
Disposal proceeds fund	-	4
Rent Prepayments	651	417
Market Rent Deposits	-	73
Corporation Tax	486	-
Amounts due to Group undertakings	2,975	1,403
Other taxation and social security payable	8	97
Interest payable	1,895	1,945
Other creditors	6,052	3,663
	20,768	9,811

Note 15 - Creditors: amounts falling due after more than one year

	2007/08 £'000	2006/07 £'000
Housing Loans falling due after more than one year	132,564	131,709
Disposal proceeds and recycled capital grant funds	10,238	7,408
Balance Sheet	142,802	139,117
Housing loans falling due after more than one year	132,564	131,709
Unamortised net premiums received on issue	(54)	(61)
Loan principal outstanding	132,510	131,648

Housing loans are secured by fixed charges on the Society's housing properties valued at £282m. The rates of interest ranged from 4.69% to 11.50% and are repayable in instalments which are due as follows:

	£'000	£'000
In one year or less	122	114
Between one and two years	123	107
Between two and five years	6,187	397
In five years or more	103,707	108,651
	110,139	109,269
Loan repayable otherwise than by instalment:		
In five years or more	22,493	22,493
	132,632	131,762

Notes to the Financial Statements – continued

Note 16 - Recycled capital grant fund and disposal proceeds fund

	2007/08 £'000 Disposal Proceeds Fund	2007/08 £'000 Recycled Capital Grant Fund	2007/08 £'000 Total	2006/07 £'000 Total
Opening Balance	**99**	**7,313**	**7,412**	**6,511**
Inputs:				
Grants recycled	126	6,533	6,659	6,060
Interest accrued	1	401	402	221
Withdrawals:				
New build units	-	(885)	(885)	-
Homebuy grants	(10)	(322)	(332)	(2,679)
Combined with allocations of SHG from HC or LA	-	-	-	(2,701)
Closing balance	**216**	**13,040**	**13,256**	**7,412**

Note 17 - Share capital

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

Shareholders: Parent Management Committee, and other members

	2007/08 £	2006/07 £
Shares of £1 each		
Issued and fully paid at 1 April 2007	103	122
Shares issued during the year	1	2
Shares surrendered during the year	(11)	(21)
Shares in issue at 31 March 2008	93	103

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

Note 18 - Reserves

	Revenue Reserve £'000	Designated Reserve Major repairs £'000	Investment Revaluation Reserve £'000	Total £'000
As at 1 April 2007	19,388	6,414	-	25,802
Surplus for the year	1,788	-	-	1,788
Movement on Investment Revaluation Reserve	-	-	39	39
2007/08 Major Repairs Allocation	(104)	104	-	-
As at 31 March 2008	21,072	6,518	39	27,629

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

Notes to the Financial Statements - continued

Note 19 – Pensions

Pension obligations note - SHPS scheme
1. 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.

2. 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".

3. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate to 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 l/70th accrual rate.
3.3 Career average re-valued earnings with a 1/60th accrual rate.

4. 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.

5. 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 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.

6. 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 employee is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

7. 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.

8. 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.

9. As at the balance sheet date, there were 165 active members of the Scheme employed by the Society. The Society continues to offer membership of the Scheme to its employees.

10. 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

11. The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

Notes to the Financial Statements - continued

Note 19 - Pensions, continued

12. 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 up-date 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.

13. 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 2005.

14. The financial assumptions underlying the valuation as at 30 September 2005 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

15. The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:-

	Males Assumed life expectancy in years at age 65	Females Assumed life expectancy in years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

16. The long-term joint contribution rates 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	17.6
Final salary with a 1/70th accrual rate	15.3
Career average re-valued earnings with a 1/60th accrual rate	14.1

17. The long-term joint contribution rates required from employers and members where contributions are set their on an age related basis are:

Age	Under 30	30-40	Over 40
Benefit Structure		Long-term joint contribution rate (% of pensionable salaries)	
Final salary with a 1/60th accrual rate	16.1	17.1	18.1
Final salary with a 1/70th accrual rate	13.8	14.8	15.8
Career average revalued earnings with a 1/60th accrual rate	12.6	13.6	14.6

18. 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.

19. Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Swaythling Housing

RADIAN

Notes the Financial Statements - continued

Note 19 - Pensions, continued

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

21. 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.

22. 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.

23. 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.

24. If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

25. 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.

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

27. 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.

28. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis ie. 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.

29. 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.

30. 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 2007. As of this date the estimated employer debt for the Society was £10,349,000.

Notes to the Financial Statements - continued

Note 19 - Pensions obligations note, growth plan

1.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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

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

10. 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable

11. The last formal valuation of the Scheme was performed at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 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%.

Notes the Financial Statements - continued

Note 19 Pensions obligations note, growth plan, continued

12. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2006. 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 £747 million and indicated a surplus of assets compared to liabilities of approximately £2 million equivalent to a funding level of 100.2%. Annual funding updates of the Growth Plan 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 Plan since the last full valuation.

13. Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

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

	% per annum
Investment return pre-retirement	6.6
Investment return post-retirement	4.5
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

15. 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.

16. 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.

17. 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 will be cleared within five 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 7.6% per annum pre-retirement and 4.8% per annum post-retirement.

Notes to the Financial Statements – continued

Note 19 – Pensions obligations note, growth plan, continued

18. 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). The Regulator has reviewed the recovery plan for the Growth Plan 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.

19. 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 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.

20. 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 security 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.

21. 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 200l 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.

22. 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 2007. As of this date the estimated employer debt for the Society was £44,950.

Swaythling Housing

RADIAN

Notes to the Financial Statements – continued

Note 20 – 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 Social Landlord and its deficit for the year to 31 March 2008 amounted to £417 (2006/07: Surplus £587). At 31 March 2008 the Society's ultimate parent undertaking and ultimate controlling party was Radian Group Ltd. 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.

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

Name of Association	Country of Registration	Nature of Business	Status
The Swaythling Housing Society Limited	England	Registered Social Landlord	Industrial & Provident Society
Portal Housing Association Limited	England	Registered Social Landlord 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 Social Landlord Exempt charity	Industrial & Provident Society
Drum Services Limited	England	Leasing and home repairs	Company Limited by shares
Windsor & District Housing Association Limited	England	Registered Social Landlord	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 Social Landlord	Industrial & Provident Society
Oriel Housing Limited	England	Registered Social Landlord	Industrial & Provident Society

Note 21 - 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 22 - Contingent liabilities

The issue of possible invalid rent increases affecting many Registered Social Landlords has been widely reported.

The Society has received advice from its solicitors that certain rent increases made in previous years might not be valid as they were made possibly not in accordance with S.13 Housing Act 1988. The Society has reviewed its potential exposure and believes its liability will not be more than' £2.7 million.

The Society is also in the process of reviewing its insurance cover in respect of this matter, which might substantially reduce any claims made against it in respect of any possible invalid rent increases. The legal position is far from clear and the Society will continue to seek advice on arriving at a conclusion to this matter.

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 Society's liability with regard to employer debt has been calculated as £10,349,000 for the SHPS Scheme and £44,950 for the Growth Plan (see note 19)

Note 23 - Capital commitments

	2007/08 £'000	2006/07 £'000
Expenditure contracted less certified	23,230	16,101
Expenditure authorised by the Management Committee not contracted	5,697	16,931
	28,927	33,032

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

Registered office

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Member of the National Housing Federation