



SWAN HOUSING GROUP

Housing Corporation Registration No: L4145

FINANCIAL STATEMENTS

For the year ended

31 MARCH 2005

FINANCIAL STATEMENTS
for the year ended 31 MARCH 2005

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**SWAN HOUSING ASSOCIATION
LEGAL AND ADMINISTRATIVE DETAILS**

BOARD	R Frost I Ritchie R Weekley H Chen V Givan A Holland A Rowley S Wheeler D Robinson	- Chair - Vice Chair - Treasurer - TCC Representative – appointed December 2004
EXECUTIVE DIRECTORS	J Synnuck J Foster M Thompson J Ellis S Forster	- Chief Executive -Executive Director (Finance) - Resigned 9 July 2004 - Executive Director - Housing Services Director - Finance Director – Appointed 27 September 2004
SOLICITORS	Manches 3 Worcester Street Oxford OX1 2PZ	
BANKERS	Royal Bank of Scotland plc 29 East Walk Basildon Essex SS14 1HD	
EXTERNAL AUDITORS	Deloitte & Touche LLP St Albans	
INTERNAL AUDITORS	Bentley Jennison London House Business Centre 271-273 King Street Hammersmith London W6 9LZ	
REGISTERED OFFICE	Pilgrim House High Street Billericay Essex CM12 9XY	
REGISTRATION	Industrial and Provident Societies Act 1965 Reg. No 28496 R Housing Corporation Reg. No. L4145	

REPORT OF THE BOARD OF MANAGEMENT *for the year ended 31 MARCH 2005*

The Board presents its report and the audited financial statements for the year ended 31 March 2005.

The Group

The Group owns 5,296 units of property and manages a further 67 units under management agreements. It comprises:

- Swan Housing Association - the parent association which holds general needs properties outside Basildon and NHS keyworker accommodation.
- Basildon Community Housing Association – an association which holds general needs properties mainly in the Basildon area.
- Cygnet Housing Association - a specialist supported housing association operating in Essex.
- Pike Housing Services Limited - a wholly owned unregistered subsidiary company of Basildon Community Housing Association providing market rented accommodation.
- Swan New Homes Limited - a wholly owned unregistered subsidiary company of Swan Housing Association providing new homes for sale.

Principal Activities

The Group's principal activities are the development, management and maintenance of social housing for people in housing need.

Review of Results

The Group's income and expenditure is set out on page 9. The Group recorded a deficit before tax for the year of £0.6 million (2004 – surplus before tax of £1.05 million) which included housing property depreciation on a valuation basis of £2.9 million (2004 - £1.6 million). In addition the Group showed a revaluation surplus on its completed housing properties of £10.5 million (2004 - £5.2 million). The long term business plan financial projections of the Group show repayment of all existing debts within thirty years. The Board consider the result to be satisfactory and in line with its current long term financial projections.

New development is a core activity and the housing stock owned by the Group increased by net 641 units during the year. This includes the transfer of 298 properties from the London Borough of Tower Hamlets.

Future Activities

The Group has been successful in achieving “preferred partner” status with the Housing Corporation for the development programme for the next year. The costs of new development and the grants received are set out on page 29.

The Group is committed to the principles of the ‘Best Value’ initiative currently applied to the social housing sector. A programme of review continues to provide improved services and increased efficiency will continue in the coming year.

The Group has a £296 million loan facility, of which £163.7 million had been drawn down at 31 March 2005, leaving £132.3 million for future development.

The Group will continue to seek to improve services provided to tenants and leaseholders. A network of training centres, in partnership with other local agencies, has been established. Most departments have attained ISO 9001 accreditation, There is also a Group accreditation for customer service under the ‘Chartermark’ scheme which was re-awarded this year.

REPORT OF THE BOARD OF MANAGEMENT
for the year ended 31 MARCH 2005 (continued)

Creditor Payment Policy

The Group agrees payment terms with its suppliers when it enters into building contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. Details of the average number of days taken to pay invoices are provided in note 23 on page 40.

Charitable Donations

During the year, the Group made charitable donations of £890 and made no other donations to other bodies or to any political parties.

Employees

The Group recognises the importance of a formal communications policy to secure the involvement and commitment of staff. The Group's policy is to consult and discuss with employees through the Staff Consultative Committee matters likely to affect their interests. As well as this formal mechanism, employees are encouraged to contribute to the running of the business through team meetings, suggestions and by developing their personal competencies through training and experience. The Group has accreditation as an Investor In People.

Equal Opportunities

The Group has a policy of equal opportunities in all matters. The policy complies with all aspects of best practice.

Corporate Governance

The Group has adopted the recommendations set out in the National Housing Federation's Code of Governance, Competence and Accountability 2000 and with the Housing Corporation Circular R2 25/01 Internal Controls Assurance.

Statement of Compliance

Throughout the year ended 31 March 2005, the Group has been in compliance with the Code of Governance, Competence and Accountability.

REPORT OF THE BOARD OF MANAGEMENT
for the year ended 31 MARCH 2005 (continued)

Group Board - Role

The Board's role is to govern the Association and to provide advice to subsidiary Boards. It also gives advice to management and provides strategic direction. Meetings with the Executive Directors are held regularly during the year.

Finance & Personnel Committee

The Finance and Personnel Committee consists of six members including representatives from the subsidiary Boards. It meets at least four times a year and monitors Group accounting policies and considers financial, funding and human resources issues. It reviews and endorses the Budget, management accounts and treasury policies and considers the financial parameters for new business developments, as well as considering human resources policies and practices.

Audit & Risk Committee

The Audit & Risk Committee consists of the Chair and Treasurer of each Association in the Group, plus one co-opted member. It receives reports from the external and internal auditors and reviews the processes for audit and risk management.

Swan Housing Committee

Swan Housing Committee consists of five members including representatives from the subsidiary Boards. It meets at least four times a year and in consultation with the subsidiary Boards, is responsible for setting targets for the Association's day to day work, and monitoring performance.

Remuneration Committee

The Remuneration Committee comprises the Chair and Treasurer of Swan Housing Association and a representative from each of the other Associations in the Group. It considers the working arrangements and remuneration of the Chief Executive and Executive Directors.

Executive Directors

The Executive Directors are listed on Page 1 and hold no interest in the share capital of any member of the Group. They act as Executives within the authority delegated by the Board.

Particulars of the Group's pension scheme (the Social Housing Pension Scheme), into which the Group pays contributions on behalf of the Executive Directors and other employees, are set out in Note 21 to the Financial Statements. The latest valuation at 30 September 2002 showed an increase in the deficit to £117 million, representing an overall funding level of 85%. The required joint funding level from 1 April 2004 is now 17.3% (previously 15.1%).

Going Concern

Following a review of the Group Budget for 2005/2006, based on normal business planning and control procedures, the members of the Board have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. A revised long term business plan has been approved by the Board. This reflects current projections in relation to development, rent restructuring and investment in existing stock.

REPORT OF THE BOARD OF MANAGEMENT
for the year ended 31 MARCH 2005 (continued)

Board's statement on the annual review of the effectiveness of the Group's Internal Control systems

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness.

However, the Board accepts that such a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Therefore, such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The process the Group follows for identifying evaluating and managing the significant risks it faces is ongoing; has been in place for the year under review and up to the date of approval of the annual report and accounts; and is regularly reviewed by the Board.

In order to fulfil its responsibility, the Board has a separately designated Group Audit Committee; it employs the services of an internal auditor and has adopted a strategic approach to risk management and quality improvement. Assurances are therefore gained from the following sources:

Audit Committee

The Board has a designated Group Audit Committee; the terms of reference for which have been updated during the year to reflect the Housing Corporation's good practice guide "Improving the effectiveness of Audit Committees". The meetings are attended by the Chief Executive, Finance Director and other Directors as required.

This committee is responsible for reviewing the adequacy and effectiveness of the Group's systems of internal controls and reporting its conclusions to the Board, receiving reports from both the internal and external auditors.

The Group Audit Committee has also reviewed the risk management process and performance against quality standards, the Housing Corporation's Regulatory Code and Housing Corporation performance-related reports.

Internal Audit Function

The Group purchases an internal audit service. This work has been carried out in accordance with the Institute of Internal Auditors' Standards and Guidance.

The internal auditor reports annually to the Group Audit Committee on the system of internal controls, with an opinion as to the adequacy and effectiveness of key internal control systems. The internal auditor attends the Group Audit Committee to present reports and to report on management progress in implementing agreed recommendations.

The internal audit is planned, based on the results of an Audit Needs Assessment. A rolling programme is undertaken to cover the whole of the group's system of control.

REPORT OF THE BOARD OF MANAGEMENT
for the year ended 31 MARCH 2005 (continued)

External Audit

The work of the external auditors has been conducted in accordance with UK auditing standards and their audit opinion is contained within the Financial Statements.

The terms of engagement of the external auditors provides that weaknesses in the structure of accounting systems and internal controls; inappropriate accounting policies and practices including non compliance with legislation, accounting standards and other regulations would be highlighted if identified as part of the normal audit work.

Any weaknesses in internal controls identified are reported to the Board and an action plan to address the weakness is agreed. No serious control weaknesses have been identified this year.

Risk Management

During the year further work has been undertaken on the Group's approach to risk management. The Group Risk Strategy has been updated which includes amongst its requirements the production of a Group Risk Map, identifying and evaluating the key risks threatening the achievement of business objectives. A Group Risk Map has been produced during the year and risks have been ranked in relation to probability and impact. The map is reviewed as a minimum twice a year and has been updated as circumstances changed.

During the year the membership and terms of reference of the Group Risk Panel has been updated. The Group Risk Panel is attended by the Finance Director and the Company Secretary as well as a cross representation of staff from all functional activities.

Reports from the Housing Corporation

In accordance with guidance issued by the Housing Corporation, limited assurances are taken from reports issued by the regulator. During the year, reports have been received and action taken to address the issues raised, none of which are considered material in nature.

Quality Management Systems/Performance Indicators

During the year the Group has achieved re accreditation for ISO 9001:2000; adherence to this quality framework ensures that procedures used within the Group are developed and applied consistently.

The Group has successfully complied with the Charter Mark standard, demonstrating its continued commitment to Customer Care.

The Group has also been re assessed during the year against the Investors In People standard; a business improvement tool designed to advance an organisation's performance through it's people and continuous improvement. The assessor concluded that "Swan as a business continues to meet and surpass the Investors in People national standard"

REPORT OF THE BOARD OF MANAGEMENT
for the year ended 31 MARCH 2005 (continued)

Auditors

A resolution to reappoint Deloitte and Touche LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Management on

Sandi Hallam-Jones
Secretary

STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Industrial and Provident Societies Acts and registered social housing legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period. In preparing those financial statements, the Board of Management is required to:

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Industrial and Provident Societies (Group Accounts) Regulation 1969, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SWAN HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Swan Housing Association Limited for the year ended 31 March 2005 which comprise the income and expenditure accounts, the statements of total recognised surpluses and deficits, the notes of historical cost surpluses and deficits, the balance sheets, the group cash flow statement, the notes to the group cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association'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 Association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Management and Auditors

As described in the statement of the Board of Management's responsibilities, the Board of Management is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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, Industrial and Provident Societies (Group Accounts) Regulation 1969, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report if, in our opinion, the report of the Board of Management is not consistent with the financial statements, if the Group or Association 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 transactions with the group or association is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's or Association'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 by fraud or by 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 of the state of the Group's and Association's affairs as at 31 March 2005 and of the deficit of the Group and surplus of the Association for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Industrial and Provident Societies (Group Accounts) Regulation 1969, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
St Albans

Date

GROUP - INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 MARCH 2005

	Notes	2005	2004
		£'000	£'000
Turnover	2 & 3	21,270	19,442
Operating costs	2 & 3	<u>(16,471)</u>	<u>(11,977)</u>
Operating Surplus		4,799	7,465
Surplus/(deficit) on sale of properties	6	2,049	(525)
Interest receivable	7	112	103
Interest payable and similar charges	8	(7,580)	(5,987)
		<hr/>	<hr/>
(Deficit)/surplus on ordinary activities before taxation	9	(620)	1,056
Tax on deficit on ordinary activities	10	17	(768)
		<hr/>	<hr/>
(Deficit)/surplus on ordinary activities after taxation		(603)	288
Realisation of revaluation surplus	16	398	689
Transfer of amount equivalent to additional depreciation on revalued assets	16	<u>1,015</u>	<u>808</u>
		810	1,785
Accumulated surplus brought forward		4,838	3,053
		<hr/>	<hr/>
Accumulated surplus carried forward		<u>5,648</u>	<u>4,838</u>
		<hr/> <hr/>	<hr/> <hr/>

The turnover and surplus/(deficit) for both the current and prior years relate to continuing activities.

GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
for the year ended 31 MARCH 2005

	2005	2004
	£'000	£'000
(Deficit)/surplus for the financial year	(603)	288
Unrealised surplus on revaluation of housing properties	10,524	5,222
Total surpluses recognised since last financial statements	<u>9,921</u>	<u>5,510</u>

GROUP NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	2005	2004
	£'000	£'000
Reported (deficit)/surplus on ordinary activities before taxation	(620)	1,056
Realisation of property revaluation gain	398	689
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	1,015	808
Historical cost surplus for the year before taxation	<u>793</u>	<u>2,553</u>
Historical cost (deficit)/surplus for the year after taxation	<u>810</u>	<u>1,785</u>

ASSOCIATION - INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Turnover	2 & 3	11,159	9,439
Operating costs	2 & 3	(7,742)	(6,188)
		<hr/>	<hr/>
Operating surplus		3,417	3,251
Surplus on sale of properties	6	2,313	1
Interest receivable	7	3,056	2,753
Interest payable and similar charges	8	(7,840)	(6,051)
		<hr/>	<hr/>
Surplus/(deficit) on ordinary activities before taxation	9	946	(46)
Tax on surplus/(deficit) on ordinary activities	10	89	(131)
		<hr/>	<hr/>
Surplus/(deficit) on ordinary activities after taxation		1,035	(177)
Transfer of amount equivalent to additional depreciation on revalued assets	16	86	49
		<hr/>	<hr/>
		1,121	(128)
Accumulated deficit brought forward		(1,006)	(878)
		<hr/>	<hr/>
Accumulated surplus/(deficit) carried forward		115	(1,006)
		<hr/> <hr/>	<hr/> <hr/>

The turnover and surplus/(deficit) for the current and prior years relate to continuing activities.

ASSOCIATION STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
for the year ended 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Surplus/(deficit) for the financial year		1,035	(177)
Unrealised surplus on revaluation of housing and office properties		3,888	4,896
		<hr/>	<hr/>
Total surpluses recognised since last financial statements		<u>4,923</u>	<u>4,719</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	2005 £'000	2004 £'000
Reported surplus/(deficit) on ordinary activities before taxation	946	(46)
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	86	49
	<hr/>	<hr/>
Historical cost surplus for the year before taxation	<u>1,032</u>	<u>3</u>
Historical cost surplus/(deficit) for the year after taxation	<u>1,121</u>	<u>(128)</u>

GROUP - BALANCE SHEET
as at 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Tangible Fixed Assets			
Housing properties at cost or valuation		379,424	311,100
Less Social Housing Grant		(59,424)	(38,341)
Less: Other Public Grants		(59,875)	(53,235)
Less: Accumulated Depreciation		(7,036)	(5,148)
	11a	<u>253,089</u>	<u>214,376</u>
Other Fixed Assets	11b	<u>2,534</u>	<u>2,404</u>
Total Fixed Assets		<u>255,623</u>	<u>216,780</u>
Current assets			
Debtors	12	8,766	6,303
Cash at bank and in hand		<u>3,599</u>	<u>1,735</u>
		12,365	8,038
Creditors: amounts falling due within one year	13	<u>(21,458)</u>	<u>(13,228)</u>
Net current liabilities		(9,093)	(5,190)
Total assets less current liabilities		<u>246,530</u>	<u>211,590</u>
Creditors: amounts falling due after more than one year	14	162,401	137,892
Provision for liabilities and charges	10	1,495	1,383
Capital and reserves			
Share capital – non-equity	15	-	-
Income & expenditure account	16	5,648	4,838
Revaluation reserve	16	<u>76,986</u>	<u>67,477</u>
		<u>246,530</u>	<u>211,590</u>

These financial statements were approved by the Board of Management on behalf by:

and were signed on its

Richard Frost
Chair

Sandi Hallam-Jones
Secretary

Roy Weekley
Treasurer

ASSOCIATION – BALANCE SHEET
as at 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Tangible Fixed assets			
Housing properties at valuation		177,023	129,896
Less Social Housing Grant		(37,346)	(24,668)
Less: Other Public Grants		(21,378)	(15,466)
Less: Accumulated Depreciation		<u>(3,116)</u>	<u>(2,031)</u>
	11a	115,183	87,731
Other Fixed Assets	11b	<u>2,362</u>	<u>2,226</u>
Total Fixed Assets		117,545	89,957
Investments			
Inter-association on lending	11c	<u>57,200</u>	<u>51,326</u>
Total fixed assets		<u>174,745</u>	<u>141,283</u>
Current assets			
Debtors	12	6,492	3,826
Cash at bank and in hand		<u>1,754</u>	<u>-</u>
		8,246	3,826
Creditors: amount falling Due within one year	13	<u>(11,998)</u>	<u>(3,914)</u>
Net current liabilities		<u>(3,752)</u>	<u>(88)</u>
Total assets less current liabilities		<u>170,993</u>	<u>141,195</u>
Creditors: amounts falling due after more than one year	14	160,102	135,454
Provision for liabilities and charges	10	451	224
Capital and reserves			
Share capital – non-equity	15	-	-
Income & expenditure account	16	115	(1,006)
Revaluation reserve	16	<u>10,325</u>	<u>6,523</u>
		<u>170,993</u>	<u>141,195</u>

These financial statements were approved by the Board of Management on _____ and were signed on its behalf by:

Richard Frost
Chair

Sandi Hallam-Jones
Secretary

Roy Weekley
Treasurer

GROUP – CASH FLOW STATEMENT
for the year ended 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	A	<u>10,321</u>	<u>11,832</u>
Returns on investments and servicing of finance			
Interest received		112	103
Interest paid		<u>(7,965)</u>	<u>(6,630)</u>
Net cash outflow from returns on investments And servicing of finance		<u>(7,853)</u>	<u>(6,527)</u>
Taxation			
Corporation tax paid		<u>(1,138)</u>	<u>(243)</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(57,166)	(33,632)
Capital grants received		28,024	11,141
Payments to acquire other fixed assets		(289)	(310)
Receipts from sale of other tangible fixed assets		-	-
Receipts from sale of housing properties		<u>4,775</u>	<u>1,717</u>
Net cash outflow from capital expenditure		<u>(24,656)</u>	<u>(21,084)</u>
Net cash outflow before management of liquid resources and financing		<u>(23,326)</u>	<u>(16,022)</u>
Financing			
Housing loan received		25,893	10,310
Finance leases		<u>-</u>	<u>-</u>
Net cash inflow from financing		<u>25,893</u>	<u>10,310</u>
Increase/(decrease) in cash	B	<u><u>2,567</u></u>	<u><u>(5,712)</u></u>

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 MARCH 2005

A Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	Group	
	2005	2004
	£'000	£'000
Operating surplus	4,799	7,465
Depreciation	3,001	1,779
(Decrease)/increase in debtors	(3,924)	230
Increase in creditors	6,445	2,358
Net cash inflow from operating activities	<u>10,321</u>	<u>11,832</u>

B Reconciliation of net cashflow to movement in net debt

Increase/(decrease) in cash in the year	2,567	(5,712)
Cash inflow from increase in debt financing	<u>(25,893)</u>	<u>(10,310)</u>
Change in net debt resulting from cashflows	(23,326)	(16,022)
Change in net debt not resulting from cashflows	<u>-</u>	<u>-</u>
Movement in net debt in the year	(23,326)	(16,022)
Net debt at 1 April	<u>(137,977)</u>	<u>(121,955)</u>
Net debt at 31 March	<u>(161,303)</u>	<u>(137,977)</u>

C Analysis of changes in net debt

	At 1 April		At 31
	2004		March
Group	£'000	Cash flow	2005
		£'000	£'000
Cash	1,735	1,864	3,599
Bank overdraft	(703)	703	-
Debt due within one year	-	(2,500)	(2,500)
Debt due after more than one year	(135,984)	(23,393)	(159,377)
Finance Leases	<u>(3,025)</u>	<u>-</u>	<u>(3,025)</u>
Total net debt	<u>(137,977)</u>	<u>(23,326)</u>	<u>(161,303)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005

1. Principal accounting policies

The Association is incorporated under the Industrial and Provident Societies Act 1965. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Registered Social Landlords, updated 2002 (the “SORP”) and applicable United Kingdom Accounting standards, and the Accounting Requirements for Registered Social Landlords General Determination 2000 (“the Determination”). A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of housing properties and freehold offices.

Group structure and basis of consolidation

Swan Housing Group (Swan) came into existence on 1 April 1998. The Group is required by the Industrial and Provident Societies (Group Accounts) Regulations 1969 to prepare group accounts. The Group financial statements incorporate the financial statements of the parent, Swan Housing Association Limited, and its subsidiaries. All the Group members’ results are presented as operations under common ownership and control in accordance with the requirements of Financial Reporting Standard 2 “Accounting for subsidiary undertakings”.

Fixed assets and depreciation

Completed general needs and supported housing properties are valued on an Existing Use Value – Social Housing (EUV-SH) basis at least once every three years. The aggregate surplus or deficit on revaluation is the difference between the cost of the property less capital grants received and depreciation and the amount of the valuation. The excess of value over cost less grant and depreciation has been credited to a revaluation reserve. Depreciation is charged on the total valuation less estimated land value of housing properties in accordance with their expected useful economic lives on a straight line basis of 1% for new build properties and 2% for other properties.

Completed NHS Keyworker and market rented properties are stated at cost and depreciation is charged on a straight line basis over the lease term.

Housing properties under construction are stated at cost less capital development grants and are transferred to ‘Completed Schemes’ once they are available for letting. No depreciation is provided on housing properties under construction.

Where properties are sold the portion of the revalued cost of sale that is in excess of the historic cost of sale for the property is released from the revaluation reserve and is transferred to the Income and Expenditure account.

For other tangible fixed assets, depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Freehold offices valued at over £1 million 2% on valuation

Freehold offices not valued	2% on cost
Office equipment and fittings	20% on cost
Motor vehicles	25% on cost
Computer equipment	25% on cost
Computer software	25% on cost

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

1. **Principal accounting policies** (continued)

Software expenditure is only capitalised where the underlying system represents new functionality and can be demonstrated to provide operational efficiencies. All other software expenditure is written off in the year in which it is incurred.

Shared ownership properties

Properties purchased for sale on shared ownership leases are treated as tangible assets. The proceeds of the first tranche are treated as a contribution towards the cost.

Turnover

Turnover represents rental income receivable, fees and revenue grants from local authorities and the Housing Corporation and other income. It does not include proceeds from the sale of housing properties, the net gain or loss from which is shown after the operating surplus in the Income and Expenditure Account.

Government grants

Revenue grants are credited in proportion to the expenditure to which they relate and are treated as income to the association. Capital grants are shown in the balance sheet as a deduction from the capital asset to which they relate. Grants received in advance are treated as creditors in the balance sheet.

Housing Association Grant (HAG) is included under Social Housing Grant (SHG) headings.

Impairment

Impairment is defined as the diminution in value of an asset below that originally assessed when the asset was acquired or constructed. Where properties are to be demolished as part of regeneration schemes or other development projects their net book value is charged to the income and expenditure account in the year in which the decision to demolish was agreed.

Planned impairments arising from strategic decisions relating to the Association's charitable objectives which are expected to generate surpluses in the longer term are not recognised.

Interest

Interest income is recognised when receivable. Interest payable is accrued daily. Interest on the net borrowing of the Association as a whole is capitalised to the extent that the borrowing relates to development costs less capital grants received in relation to incomplete properties under construction or refurbishment.

Development on-costs

Costs associated with development projects are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Such costs generally include professional fees, an apportionment of staff salary costs incurred in administering the development programme and loan

interest attributable to the scheme. Costs incurred on schemes which are identified as abortive are written off in the year in which they are incurred.

Major repairs and improvements

Major repairs and improvements are capitalised to the extent that they extend the useful economic life of

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (continued)

1. Principal accounting policies (continued)

the property, enhance the income generating potential or were anticipated at the time of purchase and were reflected in the purchase price. In other circumstances major repairs and improvements are charged to the Income and Expenditure Account as incurred.

Pensions

The Association participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' remaining working lives.

Lease obligations

Where assets are financed by leasing arrangements which give rights approximating to ownership, they are classified as finance leases and are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payment during the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Rentals paid under operating leases (including those paid under Temporary Social Housing leases) are charged to the Income and Expenditure Account on an accruals basis.

Loan issue costs

Costs incurred in raising loan finance are initially recorded as a deduction from the gross proceeds of the loan and subsequently written off in the income and expenditure account over the period during which the loan facility is utilised. Loan issue costs not yet amortised are deducted from outstanding borrowings.

Debtors

A full provision is made against former tenants arrears and a phased percentage write off is made against current tenant balances with a maximum of 75% for balances outstanding for more than twenty weeks.

Taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised are not discounted.

Investments

Investments represent amounts on lent by Swan to its subsidiaries under the Group financing arrangements.

VAT

The Association is included in a Group VAT registration in the name of Swan Housing Association. The majority of its income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure for non-taxable activities is therefore shown inclusive of VAT and

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

1. **Principal accounting policies** (continued)

the input VAT recovered is credited against operating costs. Expenditure on taxable activities is shown exclusive of VAT.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

2. **Turnover, operating costs, and operating surplus by class of business**

GROUP	Turnover £'000	Operating Costs £'000	2005 Surplus £'000	Turnover £'000	Operating Costs £'000	2004 Surplus £'000
Income and expenditure:						
From social housing lettings	<u>19,097</u>	<u>(15,290)</u>	<u>3,807</u>	<u>17,021</u>	<u>(10,860)</u>	<u>6,161</u>
Other social housing activities:						
Management services	87	-	87	100	-	100
Supporting People contract income	586	(550)	36	843	(672)	171
Other	90	(91)	(1)	50	(80)	(30)
Development costs	-	(111)	(111)	-	(6)	(6)
	<u>763</u>	<u>(752)</u>	<u>11</u>	<u>993</u>	<u>(758)</u>	<u>235</u>
Non – social housing activities:						
Market rent lettings	1,404	(429)	975	1,415	(359)	1,056
Management services	-	-	-	-	-	-
Commercial lettings	6	-	6	13	-	13
	<u>1,410</u>	<u>(429)</u>	<u>981</u>	<u>1,428</u>	<u>(359)</u>	<u>1,069</u>
	<u>21,270</u>	<u>(16,471)</u>	<u>4,799</u>	<u>19,442</u>	<u>(11,977)</u>	<u>7,465</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

2. **Turnover, operating costs, and operating surplus by class of business (cont'd)**

ASSOCIATION	Turnover	Operating	2005	Turnover	Operating	2004
	£'000	Costs	Surplus	£'000	Costs	Surplus
		£'000	£'000		£'000	£'000
Income and expenditure:						
From social housing lettings	6,062	(3,342)	2,720	4,620	(2,102)	2,518
Other social housing activities:						
Group management services	3,993	(3,907)	86	3,950	(3,850)	100
Other	84	(87)	(3)	40	(80)	(40)
Development costs	349	(406)	(57)	154	(156)	(2)
	<u>4,426</u>	<u>(4,400)</u>	<u>26</u>	<u>4,144</u>	<u>(4,086)</u>	<u>58</u>
Non –social housing activities:						
Market rent lettings	665	-	665	662	-	662
Commercial lettings	6	-	6	13	-	13
	<u>671</u>	<u>-</u>	<u>671</u>	<u>675</u>	<u>-</u>	<u>675</u>
	11,159	(7,742)	3,417	9,439	(6,188)	3,251

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

3. Particulars of income and expenditure from lettings

GROUP	General needs housing £'000	Supported Housing £'000	NHS Trust Keyworker Accom. £'000	Shared Ownership Accom. £'000	Temp Social Housing £'000	Total 2005 £'000	Total 2004 £'000
Rent receivable net of identifiable service charges	13,786	1,146	58	247	323	15,560	13,939
Charges for support services	-	1,547	-	-	-	1,547	1,599
Service income	222	289	-	37	-	548	362
Gross rental income	14,008	2,982	58	284	323	17,655	15,900
Voids	(149)	(208)	-	-	(50)	(407)	(178)
Net rental income	13,859	2,774	58	284	273	17,248	15,722
Housing Corporation revenue grants	-	-	-	-	-	-	-
Other revenue grants	28	492	-	-	-	520	53
Temporary Social housing management	-	-	-	-	75	75	42
Lease income	-	190	1,064	-	-	1,254	1,204
Turnover from social housing lettings	13,887	3,456	1,122	284	348	19,097	17,021
Management	(3,768)	(373)	(3)	(88)	(82)	(4,314)	(4,308)
Services	(287)	(332)	-	(63)	-	(682)	(478)
Care & Support Services	-	(1,054)	-	-	-	(1,054)	(1,276)
Routine maintenance	(1,668)	(245)	-	-	(4)	(1,917)	(1,732)
Planned maintenance	(3,261)	(319)	-	-	-	(3,580)	(1,066)
Bad debts	(398)	(58)	-	-	-	(456)	(100)
Property lease charges	-	(164)	-	-	(243)	(407)	(311)
Depreciation of housing properties	(2,102)	(339)	(386)	(53)	-	(2,880)	(1,589)
Operating costs on social housing lettings	(11,484)	(2,884)	(389)	(204)	(329)	(15,290)	(10,860)
Operating surplus on social housing lettings	2,403	572	733	80	19	3,807	6,161

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (continued)

3. Particulars of income and expenditure from lettings

ASSOCIATION	General needs Housing £'000	NHS Trust Keyworker Accomm. £'000	Temporary Social Housing £'000	Shared Ownership £'000	Total 2005 £'000	Total 2004 £'000
Rent receivable net of identifiable service charges	4,663	58	129	48	4,898	3,580
Service income	168	-	-	7	175	100
Gross rental income	4,831	58	129	55	5,073	3,680
Voids	(70)	-	(5)	-	(75)	(24)
Net rental income	4,761	58	124	55	4,998	3,656
Revenue grant	-	-	-	-	-	-
Lease income	-	1,064	-	-	1,064	964
Turnover from social housing lettings	4,761	1,122	124	55	6,062	4,620
Management	(431)	(3)	(12)	(5)	(451)	(727)
Services	(188)	-	-	(7)	(195)	(112)
Routine maintenance	(572)	-	-	-	(572)	(419)
Planned maintenance	(754)	-	-	-	(754)	(183)
Property lease charges	-	-	(60)	-	(60)	(27)
Bad debts	(141)	-	-	-	(141)	(115)
Depreciation of housing properties	(783)	(386)	-	-	(1,169)	(519)
Operating costs on social housing lettings	(2,869)	(389)	(72)	(12)	(3,342)	(2,102)
Operating surplus on social housing lettings	1,892	733	52	43	2,720	2,518

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

4. Remuneration of officers and senior executives

	GROUP AND ASSOCIATION	
	2005 £'000	2004 £'000
The aggregate amount of senior executive emoluments for the year (excluding pension contributions and taxable benefits)	336	334
Remuneration of the highest paid senior executive excluding pension contributions	103	99

The Chief Executive is an ordinary member of the Social Housing pension scheme described in note 21. None of the Board of Management received any remuneration (2004: £nil). Total expenses reimbursed to Board members were £3,213 (2004: £3,700).

5. Staff numbers and costs

The average number of persons employed by the Association expressed both in full time equivalents and numbers of staff members (including senior executives), analysed by category, and was as follows:

	GROUP AND ASSOCIATION			
	2005 FTE's	2005 No.	2004 FTE's	2004 No.
Administration staff	109	112	110	111
Maintenance	6	6	3	3
Caretakers, cleaners and wardens	3	4	3	4
	118	122	116	118

The aggregate payroll cost of these persons was as follows:

	GROUP AND ASSOCIATION	
	2005 £'000	2004 £'000
Wages and salaries	3,242	2,791
Redundancy payments	-	-
Social security costs	304	256
Other pension costs	278	210
	3,824	3,257

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

6. Sale of properties

	Sales Proceeds £'000	Cost of Sales £'000	2005 Surplus/ (Deficit) £'000	2004 Surplus/ (Deficit) £'000
GROUP				
Sale of right to buy properties	788	(1,048)	(260)	(395)
Sale of shared ownership properties	481	(485)	(4)	(131)
Sale of right to acquire properties	176	(66)	110	1
Sale of surplus properties	3,330	(1,127)	2,203	-
Surplus/(deficit) on sale of properties	<u>4,775</u>	<u>(2,726)</u>	<u>2,049</u>	<u>(525)</u>
ASSOCIATION				
Sale of right to acquire properties	176	(66)	110	1
Sale of surplus properties	3,330	(1,127)	2,203	-
Surplus/(deficit) on sale of properties	<u>3,506</u>	<u>(1,193)</u>	<u>2,313</u>	<u>1</u>

7. Interest receivable

	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank interest receivable	81	60	33	28
Dividend income receivable	31	43	18	11
Interest charge on inter-group on lending	-	-	3,005	2,714
	<u>112</u>	<u>103</u>	<u>3,056</u>	<u>2,753</u>

8. Interest payable and similar charges

	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loans	8,358	6,423	8,474	6,376
Other bank charges	14	9	7	6
Finance lease charges	183	175	-	-
	<u>8,555</u>	<u>6,607</u>	<u>8,481</u>	<u>6,382</u>
Less: interest capitalised	(975)	(620)	(641)	(331)
	<u><u>7,580</u></u>	<u><u>5,987</u></u>	<u><u>7,840</u></u>	<u><u>6,051</u></u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

9. Surplus/(deficit) for the year	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<u>The surplus/(deficit) for the year is stated after charging/(crediting):-</u>				
Auditors' remuneration on audit services:				
- current year	33	36	10	9
- prior year	7	6	7	6
- in respect of other services	121	4	121	4
Depreciation on housing properties	2,902	1,647	1,169	519
Depreciation on other fixed assets	122	132	115	103
Operating lease charges- P&M	35	35	35	35
- Others	17	21	17	21
Group Management fees from other group undertakings	-	-	(3,994)	(3,532)

10. Taxation	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Tax charge/(credit) on deficit on ordinary activities				
<u>Current tax:</u>				
Arising from earlier periods	-	(68)	-	-
Current year movements	187	667	-	-
<u>Deferred tax:</u>				
Arising from earlier periods	-	-	-	-
Current year movements	(204)	169	(89)	131
Tax charge on deficit on ordinary activities	(17)	768	(89)	131
Tax reconciliation				
Surplus/(deficit) on ordinary activities before tax	(620)	1,056	946	(46)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004:30%)	(186)	317	284	(13)
Expenses not deductible for tax purposes (mainly non-qualifying depreciation)	780	435	280	170
Capital allowances for the period in excess/(deficit) of depreciation	12	1	6	(2)
(Surpluses)/deficits not subject to taxation due to charitable status	17	(125)	-	-
Difference in capital gains tax base cost and accounting cost for property disposal	(501)	260	(694)	-
Capitalised interest payable, deductible for tax purposes	(247)	(148)	(192)	(96)
Tax losses utilised	-	(69)	-	(59)
Tax losses not utilised	316	-	316	-
Marginal Relief and starting rate	(4)	(4)	-	-
Total current tax charge for current year	187	667	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

10. **Taxation** (continued)

No provision has been made for deferred tax on gains recognised on revaluing the properties to their existing use values. Such profit would become payable only if the property were sold. The total amount unprovided is £19.5 million (Association - £1.5 million). At present it is not envisaged that any tax will become payable on the sale of properties in the foreseeable future. The deferred taxation provision in the financial statements and the amount of deferred tax asset are as follows:

Movement on deferred tax in the period

	GROUP	ASSOCIATION
	2005	2005
	£'000	£'000
Opening balance	1,383	224
Charge to the Income & Expenditure account	<u>(204)</u>	<u>(89)</u>
Closing balance	<u>1,179</u>	<u>135</u>

	GROUP		ASSOCIATION	
	Amount Provided		Amount Provided	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Excess of depreciation over capital allowances	(14)	(37)	8	(8)
Other timing differences	1,509	1,497	443	309
Unutilised losses carried forward	-	(77)	-	(77)
	<u>1,495</u>	<u>1,383</u>	<u>451</u>	<u>224</u>
Deferred tax asset (within debtors)	<u>(316)</u>	-	<u>(316)</u>	-
Provision for liabilities and charges	<u>1,179</u>	<u>1,383</u>	<u>135</u>	<u>224</u>

There are no unprovided deferred tax assets or liabilities other than those described above.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

11 **Tangible fixed assets**

a) **Housing properties:**
GROUP

	General/ special needs	Completed Shared Ownership	Completed NHS Keyworker	Market Rented	Under constr.	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 1 April 2004	172,079	4,317	16,488	17,103	33,860	243,847
Additions	4,309	107	681	3	53,959	59,059
Disposals	-	(244)	-	-	-	(244)
Completions	21,969	293	-	-	(22,262)	-
Cost at 31 March 2005	<u>198,357</u>	<u>4,473</u>	<u>17,169</u>	<u>17,106</u>	<u>65,557</u>	<u>302,662</u>
Depreciation:						
At 1 April 2004	(4,102)	(132)	(668)	(247)	-	(5,149)
Charge for year	(1,347)	(22)	(439)	(79)	-	(1,887)
Disposals	-	-	-	-	-	-
At 31 March 2005	<u>(5,449)</u>	<u>(154)</u>	<u>(1,107)</u>	<u>(326)</u>	<u>-</u>	<u>(7,036)</u>
Social Housing Grant:						
At 1 April 2004	(27,663)	(1,040)	-	-	(9,638)	(38,341)
Received during year	(7,156)	-	-	-	(13,927)	(21,083)
Completions	(578)	-	-	-	578	-
Disposals	-	-	-	-	-	-
At 31 March 2005	<u>(35,397)</u>	<u>(1,040)</u>	<u>-</u>	<u>-</u>	<u>(22,987)</u>	<u>(59,424)</u>
Other Public Sector Grants:						
At 1 April 2004	(42,130)	-	-	(349)	(10,756)	(53,235)
Received during year	(1,146)	-	-	-	(5,494)	(6,640)
Completions	(829)	-	-	-	829	-
At 31 March 2005	<u>(44,105)</u>	<u>-</u>	<u>-</u>	<u>(349)</u>	<u>(15,421)</u>	<u>(59,875)</u>
Revaluation Reserve:						
At 1 April 2004	59,779	3,655	-	3,819	-	67,253
Surplus for year	6,424	3,471	-	629	-	10,524
Depreciation charge for year	(907)	(54)	-	(54)	-	(1,015)
Disposals	-	-	-	-	-	-
At 31 March 2005	<u>65,296</u>	<u>7,072</u>	<u>-</u>	<u>4,394</u>	<u>-</u>	<u>76,762</u>
Net Book Value:						
At 31 March 2005	<u>178,702</u>	<u>10,351</u>	<u>16,062</u>	<u>20,825</u>	<u>27,149</u>	<u>253,089</u>
At 31 March 2004	<u>157,964</u>	<u>6,800</u>	<u>15,820</u>	<u>20,325</u>	<u>13,467</u>	<u>214,376</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

11 Tangible fixed assets (continued)

a) Housing properties:

ASSOCIATION

	Completed	Completed	Completed	Completed		
	General	Shared	NHS Key	Market	Under	Total
	Needs	Ownership	Worker	Rented	Construction	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 1 April 2004	75,663	509	16,488	11,643	19,294	123,597
Additions	2,923	108	681	3	39,326	43,041
Transferred from subsidiaries	284	-	-	-	-	284
Disposals	-	-	-	-	-	-
Completions	15,153	292	-	-	(15,445)	-
Cost at 31 March 2005	<u>94,023</u>	<u>909</u>	<u>17,169</u>	<u>11,646</u>	<u>43,175</u>	<u>166,922</u>
Depreciation:						
At 1 April 2004	(1,152)	(2)	(668)	(210)	-	(2,032)
Charge for year	(528)	(1)	(439)	(116)	-	(1,084)
At 31 March 2005	<u>(1,680)</u>	<u>(3)</u>	<u>(1,107)</u>	<u>(326)</u>	<u>-</u>	<u>(3,116)</u>
Social Housing Grant:						
At 1 April 2004	(17,770)	-	-	-	(6,898)	(24,668)
Received during year	(4,283)	-	-	-	(8,395)	(12,678)
Completions	(578)	-	-	-	578	-
Disposals	-	-	-	-	-	-
At 31 March 2005	<u>(22,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,715)</u>	<u>(37,346)</u>
Other Public Sector Grants:						
At 1 April 2004	(9,131)	-	-	(349)	(5,985)	(15,465)
Received during year	(1,026)	-	-	-	(4,733)	(5,759)
Completions	(829)	-	-	-	829	-
Transferred from subsidiaries	(154)	-	-	-	-	(154)
At 31 March 2005	<u>(11,140)</u>	<u>-</u>	<u>-</u>	<u>(349)</u>	<u>(9,889)</u>	<u>(21,378)</u>
Revaluation Reserve:						
At 1 April 2004	3,190	293	-	2,816	-	6,299
Surplus for year	2,381	855	-	652	-	3,888
Depreciation	(43)	(4)	-	(39)	-	(86)
At 31 March 2005	<u>5,528</u>	<u>1,145</u>	<u>-</u>	<u>3,429</u>	<u>-</u>	<u>10,101</u>
Net Book Value:						
At 31 March 2005	<u>64,100</u>	<u>2,050</u>	<u>16,062</u>	<u>14,400</u>	<u>18,571</u>	<u>115,183</u>
At 31 March 2004	<u>50,800</u>	<u>800</u>	<u>15,820</u>	<u>13,900</u>	<u>6,411</u>	<u>87,731</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

The Group has received Social Housing Grant (SHG) from the Housing Corporation and local authorities and CNT grant from the Commission for the New Towns (now known as English Partnerships).

A number of the properties that have been grant funded by English Partnerships are subject to secure tenancies which confer on the tenant the right to purchase the property they occupy. If a tenant exercises their right to purchase the property the Association is liable to repay to English Partnership an amount that is broadly equivalent to the grant advanced in respect of the property.

Similar obligations to the tenant exist in respect to properties built under the right to acquire legislation although in these cases there is no obligation to English Partnerships.

Under most circumstances, if other housing properties are disposed of, SHG becomes repayable to the Housing Corporation.

Included within additions are development administration costs of Group: £1,300,000 Association: £971,000 (2004 Group: £493,000, Association: £351,000) and interest capitalised of Group: £974,000 Association: £655,000 (2004 Group: £620,000, Association: £331,000). The interest capitalisation was calculated using the Group's average cost of floating rate borrowing each month. The average rate during the year was 4.9%.

All completed general needs and supported housing stock of the Group was valued as at 31 March 2005, on the basis of Existing Use Value for Social Housing (EUV-SH) assuming no vacant sales, for accounts purposes at Group: £182.2 million, Swan: £65.5 million. The valuation was undertaken in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. In determining this valuation, the valuers made use of discounted cashflow methodology and the key assumptions made concerned the level of future rents, the rate of turnover of existing tenants, the level of Right to Buy sales and the discount rate. The assumed discount rate was 5.75% real. The valuation was carried out by FPD Savills, Chartered Surveyors of 25 Finsbury Circus, London EC2M 7EE.

Swan completed NHS Keyworker properties are carried at cost less depreciation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

11 **Tangible fixed assets** (continued)

b) **Other Fixed Assets**
GROUP

	Freehold offices & temporary buildings £'000	Computer Equipment £'000	Office Equipment And Fittings £'000	Total £'000
Gross cost:				
At 1 April 2004	2,074	398	363	2,835
Restatement of opening balance	-	266	-	266
Additions	30	201	21	252
Disposals	-	-	-	-
At 31 March 2005	<u>2,104</u>	<u>865</u>	<u>384</u>	<u>3,353</u>
Depreciation:				
At 1 April 2004	(199)	(158)	(298)	(655)
Restatement of opening balance	-	(266)	-	(266)
Charge for the year	(34)	(62)	(26)	(122)
Disposals	-	-	-	-
At 31 March 2005	<u>(233)</u>	<u>(486)</u>	<u>(324)</u>	<u>(1,043)</u>
Revaluation Reserve:				
At 1 April 2004 and 31 March 2005	224	-	-	224
Net Book Value				
At 31 March 2005	<u>2,095</u>	<u>379</u>	<u>60</u>	<u>2,534</u>
At 31 March 2004	<u>2,099</u>	<u>240</u>	<u>65</u>	<u>2,404</u>

The freehold office, Pilgrim House, is included at open market valuation as at March 2005. The valuation was carried out by FPD Savills. There was no change in the market value between March 2004 and March 2005.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

11 **Tangible fixed assets** (continued)

b) **Other fixed assets**
ASSOCIATION

	Freehold offices and temporary buildings £'000	Computer Equipment £'000	Office equipment and fittings £'000	Total £'000
Gross cost:				
At 1 April 2004	1,861	397	98	2,356
Additions	30	200	21	251
Disposals	-	-	-	-
At 31 March 2005	<u>1,891</u>	<u>597</u>	<u>119</u>	<u>2,607</u>
Depreciation:				
At 1 April 2004	(160)	(154)	(40)	(354)
Charge for year	(30)	(62)	(23)	(115)
Disposals	-	-	-	-
At 31 March 2005	<u>(190)</u>	<u>(216)</u>	<u>(63)</u>	<u>(469)</u>
Revaluation Reserve:				
At 1 April 2004	<u>224</u>	-	-	<u>224</u>
At 31 March 2005	<u>224</u>	-	-	<u>224</u>
Net Book Value				
At 31 March 2005	<u>1,925</u>	<u>381</u>	<u>56</u>	<u>2,362</u>
At 31 March 2004	<u>1,925</u>	<u>243</u>	<u>58</u>	<u>2,226</u>

The freehold office, Pilgrim House, is included at open market valuation as at March 2005. The valuation was carried out by FPD Savills. There was no change in the market value between March 2004 and March 2005.

c) **Investments**
ASSOCIATION

Inter-association on-lending
£'000

At 1 April 2004	51,326
Repayments from Group member	-
Advance to Group member	5,874
At 31 March 2005	<u>57,200</u>

With effect from 23 March 2001, following completion of the increased Group borrowing facility, all loans are drawn down by Swan Housing Association. As at 31 March 2005 a loan of £40.8m has been provided to Basildon Community Housing Association, and a loan of £16.4m has been provided to Cygnet Housing Association. These amounts relate to the development programmes and associated working capital

requirements for the properties owned by Basildon Community Housing Association and Cygnet Housing Association.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

12 Debtors	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Gross arrears of rent and service charges	1,897	1,690	505	360
Less: provision for bad debts	(994)	(657)	(250)	(168)
Net arrears of rent and service charges	903	1,033	255	192
NHS Keyworker scheme performance bond	-	-	-	-
Social Housing Grant	3,054	4,262	1,697	2,383
Other debtors	165	102	25	67
Deferred tax asset	316	-	316	-
Prepaid loan issue costs	-	113	-	72
Prepaid interest cap fees	270	424	270	377
Other prepayments and accrued income	1,033	369	3,327	160
Finance Leases	3,025	3,025	-	-
Amounts owed by Group undertakings	-	-	602	575
	<u>8,766</u>	<u>6,303</u>	<u>6,492</u>	<u>3,826</u>

13 Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade creditors	1,693	1,340	1,080	382
Capital creditors	2,541	1,096	1,370	760
Other creditors	9,890	4,125	5,180	879
Rental income received in advance	445	401	217	243
Amounts owed to Group undertakings	-	-	99	8
Grant repayable on disposal	2,611	3,829	-	-
Interest payable	1,390	861	1,390	861
Bank overdraft	-	703	-	703
Housing loan	2,500	-	2,500	-
Corporation tax	187	763	-	-
Disposal Proceeds Fund	201	110	162	78
	<u>21,458</u>	<u>13,228</u>	<u>11,998</u>	<u>3,914</u>

The Group "Other creditors" balance includes £15,140 of leasehold sinking fund provisions (2004: £14,047). An equivalent amount is held in a bank account on behalf of the leaseholders.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

14 **Creditors: amounts falling due after more than one year**

	GROUP		ASSOCIATION	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Housing loans – see note a	159,377	134,867	160,102	135,454
Finance leases – see note b	3,024	3,025	-	-
	<u>162,401</u>	<u>137,892</u>	<u>160,102</u>	<u>135,454</u>
a) Housing loans, not repayable by instalments:				
Falling due for repayment after five years	161,150	135,984	161,150	135,984
Less: issue costs	(1,773)	(1,117)	(1,048)	(530)
	<u>159,377</u>	<u>134,867</u>	<u>160,102</u>	<u>135,454</u>

Analysis of loan facilities	Interest Rate	Maturity of fix/cap	GROUP		ASSOCIATION	
			2005	2004	2005	2004
			£'000	£'000	£'000	£'000
Falling due within one year:						
Facility B	LIBOR + 0.30%	Revolving	2,500	-	2,500	-
Falling due between one and two years:			-	-	-	-
Falling due between two and five years:			-	-	-	-
Falling due after five years:						
Fixed:						
Fixed rate	7.39%	2007	10,000	10,000	10,000	10,000
Fixed rate	6.91%	2010	10,000	10,000	10,000	10,000
Total Fixed Facility A			20,000	20,000	20,000	20,000
Capped Rate:						
Facility A	LIBOR + 0.50%	2007	-	42,500	-	42,500
Facility A	LIBOR + 0.45%	2007	42,500	-	42,500	-
Floating Rate:						
Facility A	LIBOR + 0.50%		-	63,484	-	63,484
Facility A	LIBOR + 0.55%		-	10,000	-	10,000
Facility A	LIBOR + 0.45%		57,500	-	57,500	-
Facility C	LIBOR + 0.55%		14,500	-	14,500	-
Facility D	LIBOR + 0.40%		26,650	-	26,650	-
Total Housing loans falling due after five years			<u>161,150</u>	<u>135,984</u>	<u>161,150</u>	<u>135,984</u>

The loans above are drawn from a total committed loan facility of £295 million provided by a syndicate headed by National Westminster Bank Plc. The loan facility was continued and extended on 8 October 2004 from £150m to £295m. It consists of a Group borrowing facility for the benefit of the registered social landlords within the Group. Under this facility the property collateral of all properties charged to the lenders is pooled to secure the loan finance and overdraft facilities provided under the arrangement. Loans are secured by charges on specific properties and floating charges.

At the expiration of the fixed and capped terms, between 2007 and 2010, the facilities revert to a floating rate basis at LIBOR plus margin, maturing in 2034.

Loans falling due within one year under Facility B are included in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

14 **Creditors: amounts falling due after more than one year** (continued)

b) Finance Leases	GROUP		ASSOCIATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Market rented properties	3,025	3,025	-	-

The finance leases are provided by Bradford and Bingley plc for the purchase of 35 market rented properties. The term of each lease is 25 years expiring on various dates between 2026 and 2027. In each case the principal is repaid after 25 years and there is an option to repurchase the properties at historic cost at that time.

15 **Share capital – GROUP and ASSOCIATION**

	2005 £
Outstanding at 1 April, 2004	9
Cancelled during the year	-
Shares of £1 each allotted, issued and fully paid	9

The shares have limited rights. They carry no entitlement to a dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the annual and special meetings of the Association.

16 **Reserves – GROUP**

	Income & Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
As at 1 April 2004	4,838	67,477	72,315
Revaluation surplus in year – housing properties	-	10,524	10,524
Deficit for year	(603)	-	(603)
Realisation of revaluation surplus on properties sold in year	398	(398)	-
Transfer of depreciation relating to revaluation	1,015	(1,015)	-
As at 31 March 2005	<u>5,648</u>	<u>76,986</u>	<u>82,634</u>

Reserves – ASSOCIATION

	Income & Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
As at 1 April 2004	(1,006)	6,523	5,517
Revaluation surplus/(deficit) in year:			
- housing properties	-	3,888	3,888
Surplus/ for year	1,035	-	1,035

Transfer of depreciation relating to revaluation	86	(86)	-
As at 31 March 2005	<u>115</u>	<u>10,325</u>	<u>10,440</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

17 Commitments

- i) Capital commitments at the end of the financial year for which no provision has been made.

	GROUP		ASSOCIATION	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Contracted but not provided	<u>35,855</u>	<u>40,358</u>	<u>24,376</u>	<u>21,390</u>
Authorised but not contracted	<u>76,602</u>	<u>73,274</u>	<u>68,458</u>	<u>68,703</u>

The Board considers that all expenditure will be financed by available loans and grants.

- ii) Annual commitments for the year from the balance sheet date under non-cancellable operating leases for equipment and motor vehicles are as follows:

	GROUP		ASSOCIATION	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
<u>Operating leases which expire:</u>				
Within one year	6	7	6	7
In the second to fifth years inclusive	<u>46</u>	<u>148</u>	<u>46</u>	<u>148</u>
	<u>52</u>	<u>155</u>	<u>52</u>	<u>155</u>

18 Analysis of completed property units

At 31 March 2005 the Group's housing stock comprised:

	GROUP			
	OWNED		MANAGED	
	Number of units		Number of units	
	2005	2004	2005	2004
Social Housing:				
General needs	3,874	3,284	-	-
Shared ownership	260	215	-	-
Sheltered (Elderly)	35	35	-	-
Other Supported Housing	267	240	-	-
NHS keyworker accommodation	444	444	-	-
Garages	41	41	-	-
Sold to leaseholder with retained freehold	205	205	-	-
Supported housing (Floating Support)	-	-	28	34
Temporary Social Housing	-	-	39	41
Total Social Housing	<u>5,126</u>	<u>4,464</u>	<u>67</u>	<u>75</u>

Non-Social Housing:-

Market rented	170	183	-	-
Total Housing Stock	<u>5,296</u>	<u>4,647</u>	<u>67</u>	<u>75</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

18 **Analysis of completed property units** (continued)

	ASSOCIATION			
	OWNED		MANAGED	
	Number of units		Number of units	
	2005	2004	2005	2004
Social housing:				
General needs	1,536	973	-	-
Leased to subsidiary undertaking – Market Rented	83	83	-	-
Shared ownership	83	27	-	-
NHS keyworker accommodation	444	444	-	-
Temporary Social Housing	-	-	11	5
Total owned and managed housing stock	<u>2,146</u>	<u>1,527</u>	<u>11</u>	<u>5</u>

19 **Legislative provisions**

The Association is registered under the Industrial and Provident Societies Act 1965 with the reference 28496R and with the Housing Corporation under reference L4145. The Association is a Registered Social Landlord with the Housing Corporation under the Housing Act 1996.

20 **Related party disclosures**

There are three tenants who are also Board members of one or more of the entities within the Group. The rent and terms of their tenancies are determined in the same way as those of all tenants. The tenant members who served during the year were J Rigg, R Butcher and D Robinson. There were no related party transactions with the tenant members.

21 **Pensions**

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contract out of the state scheme.

The last formal valuation of the Scheme was performed as at 30 September 2002 by a professionally qualified actuary using the “projected unit credit” method. The market value of the Scheme’s assets at the last valuation date was £650 million.

During the accounting period the Association paid contributions at the rate of 11.7% (2004 – 10.6%). Member contributions vary between 3.1% and 6.1% (2004 – 2.0% and 5.0%) depending on their age.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

-	Rate of pension increases	2.5	
-	Rate of price inflation		2.5

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

21 **Pensions** (continued)

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
- Rate of return on future contributions	6.6
- Rate of return of accumulated assets	7.2
- Rate of salary increases	4.5

The assumptions have remained the same in 2004 and 2005. The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities/75% gilts for pensioner liabilities.

Valuation Results

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117 million (equivalent to a past service funding level of 85%).

The long-term joint contribution rate required from employers and members to meet the cost of future benefit was assessed as 15.0% of pensionable salaries.

Following consideration of the results of the actuarial valuation it has been agreed that, with effect from 1 April 2004:

- i) The standard employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries.
- ii) Member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate increased from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004.

Employers that have closed the Scheme to new members 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.

New employers that joined the Scheme after 30 September 2002 without any past service liability will pay an employer contribution rate of 9.4% of pensionable salaries with effect from 1 April 2004. This rate will apply until 1 April 2007, after which it will change to the standard employer contribution rate per the actuarial valuation due to take place as at 30 September 2005.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017.

Next valuation

The next valuation will be as at 30 September 2005.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005 (continued)

22 Subsidiaries

Swan Housing Association provides staff and other services to its subsidiaries (each of which is a Registered Social Landlord with the exception of Pike Housing Services Limited) under the terms of procedure agreements. Details of the amount charged to the subsidiaries within the Group are as follows:-

	2005	2004
	£'000	£'000
Amount allocated:		
Basildon Community Housing Association	3,233	3,054
Pike Housing Services Limited	168	127
Cygnets Housing Association	335	351
	<u>3,736</u>	<u>3,532</u>
Management expenses	(3,993)	(3,485)
Operating (deficit)/surplus on inter-association services	<u>(257)</u>	<u>47</u>

Under the Group loan facility Swan draws down the loans and on-lends to the other Associations in the Group. At 31 March 2005, Swan had provided term finance of £40.8m to Basildon Community Housing Association and £16.4m to Cygnets Housing Association.

23 Average number of days taken to pay invoices

The average number of days taken to pay invoices was 30 days (2004: 30 days).

24 Contingent liabilities

Performance bonds

Basildon Community Housing Association has issued performance bonds in respect of highway and other works which are part of development schemes in Basildon amounting to a maximum of £688,140 which may be retained by the local authorities in the event of works required under the construction programme not being completed. At present the Association is expecting to complete these works satisfactorily. The bonds expire at various dates, the latest of which is November 2018.