



# Financial Statements

For the year ended 31st March 2006



# — Financial statements

For the Year Ended 31 March 2006

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## — Legal & Administrative Details

### BOARD

R Frost	Chair
I Ritchie	Vice Chair
A Rowley	Vice Chair
R Weekley	Treasurer
H Chen	
A Holland	
J Quill	Appointed 27 June 2005
J Synnuck	Appointed 27 June 2005
M Dixon	Resigned 17 July 2006
S Wheeler	Resigned 1 April 2006
D Robinson	Resigned 1 April 2006
V Givan	Resigned 10 November 2005

### EXECUTIVE DIRECTORS

J Synnuck	Chief Executive
M Thompson	Executive Director
J Ellis	Housing Services Director
I Nelthorpe	Central Services Director - appointed 20 February 2006
S Forster	Finance Director - resigned 31 March 2006

### SOLICITORS

Manches	3 Worcester Street, Oxford, OX1 2PZ
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### BANKERS

Royal Bank of Scotland plc  
29 East Walk, Basildon, Essex, SS14 1HD

### EXTERNAL AUDITORS

Deloitte & Touche LLP, St Albans

### INTERNAL AUDITORS

Beever & Struthers, Alperton House, Bridgewater Road, Wembley  
Middlesex, HA0 1EH

### 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

### WEB SITE

[www.swan.org.uk](http://www.swan.org.uk)

## Overview

The Operating and Financial review is prepared to provide information to the members. It contains certain forward looking statements that are made by the Board and Directors based on the information available at the time of approval of this report and as such these statements should be treated with caution due to the inherent uncertainty associated with such forward looking statements.

Swan Housing Group is a housing group based in Essex with properties in Essex, Suffolk and East London. There were 6,100 units in management at 31 March 2006 as shown below:

	Group			
	Owned Number of units		Managed Number of units	
	2006	2005	2006	2005
<b>Social Housing:</b>				
General needs	4,323	4,874	-	-
Shared ownership	331	260	-	-
Sheltered (Elderly)	35	35	-	-
Other Supported Housing	532	267	-	-
NHS keyworker accommodation	479	444	76	-
Supported housing (Floating Support)	-	-	26	28
Temporary Social Housing	-	-	<u>28</u>	<u>39</u>
<b>Total Social Housing</b>	<b>5,700</b>	<b>4,880</b>	<b>130</b>	<b>67</b>
<b>Non-Social Housing:</b>				
Market rented	168	170	-	-
Garages	38	41	-	-
Sold to leaseholder with retained freehold	205	205	-	-
<b>Total Housing Stock</b>	<b><u>6,111</u></b>	<b><u>5,296</u></b>	<b><u>130</u></b>	<b><u>67</u></b>

On 1 April 2006 Basildon Community Housing Association changed its name to Swan (Essex) Housing Association, and Cygnet Housing Association changed its name to Swan (London) Housing Association. On the same date Swan Housing Association, Swan (London) Housing Association and Swan (Essex) Housing Association all became Industrial & Provident societies with charitable status.

The Group consists of three registered social landlords, Swan Housing Association, Swan (Essex) Housing Association and Swan (London) Housing Association all of which are charitable organisations. In addition Pike Housing Services Limited provides properties for market renting and Swan New Homes has been set up to build new properties for outright

sale on the open market, and intends to gift-aid its profits back to the parent RSL for further investment in social housing.

The Group is regulated by the Housing Corporation with whom it is registered. It is reviewed annually against the Housing Corporation's Regulatory Code. The assessment is carried out against four main criteria – governance, viability, management and development - and a 'traffic light' system is used to demonstrate compliance. The latest assessment awarded the Group four green lights, a position which has been maintained since the introduction of this approach to regulation.

The Group has had preferred partner status with the Housing Corporation for the three years to 31

March 2006 and this has now been reconfirmed for a further three years thus allowing the Association to continue with its extensive development programme.

The Housing Corporation manages its level of management of Housing Associations based on a risk based model, at present the Group is rated as Medium Risk.

The Group is also subject to inspection by the Audit Commission who assess front line service delivery to customers and assess the extent to which the Group is likely to improve its performance.

The Associations are governed by individual Boards comprising non executive Board members which includes tenant representatives, and is managed by the Group Executive consisting of the directors with other senior members of staff attending board meetings as appropriate. The members of the Swan Housing Association Board and Executive team are detailed on page 4.

### Group objectives and strategy

The Group's objectives and strategy are set out in a corporate plan with a three year horizon that is reviewed annually and approved by the Board.

The Group's main objectives and strategies for the following year are summarised below:

### Swan Housing Group mission

- Place the needs of our residents first
- Provide high quality and well managed homes which are affordable
- Help communities to grow and prosper
- Strive for excellence in all that we do

### Asset Management

- Deliver Decent Homes Standard for all stock in 2007
- Commence consultation with residents about Decent Homes Plus and how it will be achieved by 2010
- Achieve value for money through effective procurement methods and identification of Priority Investment Areas
- Improve access, customer care, diversity and user focus (placing the user at the centre of the asset management decision making process)

### Development

- Maintain Housing Corporation IP status and be recognised as the largest and best developing RSL in the East of England
- Add to the supply of affordable housing at the rate of 10% of existing stock numbers each year
- Invest 10% of the NAHP allocation in Supported Housing
- Deliver mixed tenure and sustainable communities, including private for sale and key worker housing
- Meet the needs of vulnerable people and minority groups
- Encourage innovation in construction and be recognised as a 'centre of excellence' in urban design

### Treasury

- Achieve a stable financial position
- Ensure continued compliance with loan covenants and Treasury Management Policy
- Promote strong relationships with lenders
- Continue to look for opportunities to take advantage of current low interest rates

### Customer Service

- Seek to continuously improve service delivery and resident satisfaction. This will be measured by a variety of methods including QHS, Chartermark, inspection and benchmarking
- Ensure the service meets the needs of our residents. It must be fit for changing needs of the future. We must be able to tailor services to meet differing needs
- Ensure the same high standards are achieved throughout all our areas of operation
- Achieve upper quartile performance in all KPI's

### Equolity & Diversity

- Be viewed as a model of good practice within the housing sector leading the way with the highest standards of equality and diversity in all areas of its work
- View diversity as at the heart of delivering good quality services and in this respect be embedded in the culture and all systems, policies and procedures
- Have a workforce composition which reflects the wider population
- Create an environment where all staff feel that they are valued as individuals experiencing no discrimination, harassment or victimisation and work in a culture where they can openly challenge and discuss issues of concern
- Ensure that residents and customers of Swan experience no dissatisfaction with their services and properties based on reasons of equality and diversity

### Tenant Participation & Community Development

- Review Tenant Participation Policy and strategy to ensure it reflects the interests, needs and aspirations of all our residents including BME groups, leaseholders, supported housing tenants, shared owners and residents in dispersed homes
- Strengthen existing resident structures and explore devolution of estate budgets to Tenant Consultative Committees (TCCs), expanding the range of methods by which residents can become involved
- Become an internal source of expertise and advice on resident involvement and support colleagues to carry out excellent resident consultation in their own service area
- Pilot projects to work with local residents to build their skills to develop solutions to issues that arise on mixed tenure estates
- Develop opportunities for children and young people, raise aspirations and divert away from crime
- Build on the success of BISI tenant training scheme and expand the range of training and learning initiatives
- Work in partnership with others to ensure that local communities are able to benefit from employment opportunities in regeneration schemes

### Corporate Social Responsibility

Swan Housing Group takes Corporate Social Responsibility seriously. As a 'Social Business' we hold our ethical values at the heart of everything we do, including taking a responsible approach to the environment.

For Swan, environmental sustainability is about a range of issues; financial impacts, sustainable communities, preserving and enhancing ecological value and understanding and dealing with the impact of factors that affect individual office and development sites. Most importantly it's about improving the quality of life for our residents and their children.

In 2006 Swan launched our Environmental Strategy to ensure that our operations have a minimal impact upon the environment. This strategy has continued throughout 2007, and has 5 key objectives;

- Sustainable Procurement
- Sustainable Transport
- Sustainable Resource Management and Consumption
- Environmental Training and Awareness
- Sustainable Development

### Key performance indicators

The Group Board, subsidiary Boards and senior management teams monitor the business on an ongoing basis using a range of performance indicators. The key indicators are summarised in the table below:

<b>Housing Management</b>	<ul style="list-style-type: none"> <li>— Rent collection rate</li> <li>— Current arrears as % of gross annual debit</li> <li>— Average re-let times</li> <li>— Lettings by ethnicity</li> <li>— Repairs response times</li> <li>— Tenant satisfaction</li> </ul>
<b>Development and Property Services</b>	<ul style="list-style-type: none"> <li>— Unit completions</li> <li>— Monitoring of progress against development plan</li> <li>— Planned maintenance programme monitoring</li> <li>— Decent Homes Standard compliance</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>— Results compared to budget</li> <li>— Loan Covenants</li> </ul>

### Performance in the period

The Group's income and expenditure is set out on page 18. The Group recorded a deficit before tax for the year of £2.6 million (2005 – deficit before tax of £0.6 million) which included housing property depreciation on a valuation basis of £3.2 million (2005 – £2.9 million). In addition the Group showed a revaluation surplus on its completed housing properties of £15.5 million (2005 – £10.5 million). The long term business plan financial projections of the Group show repayment of all existing debts

within thirty years. The Board have considered the results and the long term financial projections for the Group and are satisfied that the Group performance is acceptable and that the outlook is positive.

New development is a core activity and the housing stock owned by the Group increased by net 815 units during the year.

Group turnover and operating surplus/(deficit) by activity are shown below:

	Turnover		Operating Surplus	
	2006	2005	2006	2005
<b>Social Housing:</b>				
General needs	17,172	13,887	5,224	2,403
Supported housing (Floating Support)	3,386	3,456	505	572
NHS keyworker accommodation	1,122	1,122	736	733
Shared ownership	496	284	191	80
Temporary Social Housing	<u>219</u>	<u>348</u>	<u>(58)</u>	<u>19</u>
Total Social Housing	22,395	19,097	6,598	3,807
<b>Other social housing activities:</b>				
Management services	-	87	(193)	87
Supporting People contract income	612	586	2	36
Other	1,473	90	(362)	(112)
<b>Non-Social Housing:</b>				
Market rented	1,409	1,410	881	981
Total	<u>25,889</u>	<u>21,270</u>	<u>6,926</u>	<u>4,799</u>

### Swan Housing Group

A selection of key performance indicators are presented below, the figures for Swan Housing Association and Swan (Essex) Housing Association are analysed separately where appropriate.

	2006	2005	2004
EBITDA interest cover %	93%	93%	142%
Percentage of routine repairs completed within target: Swan Housing Association	92%	96%	94%
Percentage of routine repairs completed within target: Swan (Essex) Housing Association	88%	93%	92%
Current rent arrears %: Swan Housing Association	5.0%	3.9%	5.3%
Current rent arrears %: Swan (Essex) Housing Association	3.6%	2.7%	3.9%
BME Lettings %: Swan Housing Association	39.9%	37.9%	31.5%
BME Lettings %: Swan (Essex) Housing Association	1.3%	1.7%	6.6%

### Key Risks

The main risks faced by the Group are considered each year by the Executive team with the Boards as part of the operational planning process. The definition of risk for this purpose is an event that could prevent the operational plan from being achieved if it were to crystallise. Risks are recorded and allocated to senior staff and the key controls used to manage each risk are recorded and monitored.

During the year further work has been undertaken on the Group's approach to risk management. The Group Risk Strategy has been reviewed which includes amongst its requirements the production of a Group Risk Map, identifying and evaluating the key risks threatening the achievement of business objectives. The Group Risk Map has been reviewed 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 reviewed. 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.

Risk	Status/action being taken
<b>Inability to attract &amp; retain quality staff</b>	<ul style="list-style-type: none"> <li>— Make Swan the employer of choice</li> <li>— Benchmarking of salaries to remain in the upper quartile</li> <li>— Emphasis on work-life balance</li> </ul>
<b>Inadequately skilled &amp; structured Board</b>	<ul style="list-style-type: none"> <li>— Training programme for all Board members</li> <li>— Restructured Boards following corporate changes</li> <li>— Formal contracts for Board members</li> </ul>
<b>Downturn in the housing market</b>	<ul style="list-style-type: none"> <li>— A large part of the Group's development programme is in relation to low cost home ownership. The Group's ability to deliver this will be adversely affected if there is a lack of demand for the products at the right price</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>— At the year end the Group had £192.5m of variable borrowing. Advantage has been taken of current low interest rates to place short term fixes for significant amounts of these funds.</li> </ul>

### Investment for the future

Swan Housing Group will be investing £120 million in the provision of new affordable housing and the regeneration of existing estates in the 2006-2005 periods, and has secured in excess of £70 million to fund this growth from the Housing Corporation as part of its NAHP bid round.

As part of its bid to the Corporation Swan had to be recognised by the Corporation as a partner organization with a track record of delivering quality housing and regeneration schemes. The decision means that Swan can continue to invest money in regenerating areas such as the Five Links estate in Basildon. It also means the organization can continue to invest in providing quality affordable homes throughout the Essex area.

In addition Swan Housing Association and Lovell have been selected by national regeneration agency English Partnerships, in consultation with Basildon District Council, as the preferred developer for the £200m regeneration of the Craylands Estate and former Fryerns School site in Basildon.

English Partnerships has been working closely with Basildon District Council and architects PRP to develop a master plan for the regeneration of the area. Swan and Lovell will be responsible for delivering up to 650 new homes and rebuilding up to 600 homes, in addition to creating a new local centre, which will include retail and community uses over a 10 year period.

## Financial Review Accounting Policies

The principle accounting policies are set out in note 1 to the financial statements on pages 26 to 29. The most critical accounting policies in terms of impact on the financial statements are the treatment of capital grants, capitalised interest, the capitalisation of development staff costs within housing properties and the calculation of housing property depreciation. These policies have remained unchanged.

## Treasury Policy

Borrowings management is the responsibility of the Finance Director. Strategy is set annually and approved by the Finance & Personnel Committee. The Group will ensure that the proportion of total outstanding debt which is hedged against variable interest rate movement is limited to a maximum of 50% at any time.

At the year ending 31 March 2006 the Group borrowings were £210m. The loans are drawn from a total committed loan facility of £295 million provided by a syndicate headed by National Westminster Bank Plc. 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.

## Cash Flow and liquidity

Cash inflows and outflows for the period under review are set out in the cash flow statement on page 24. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges. The net cash outflow from capital expenditure is the spend on new properties which has been capitalised less grant less sales proceeds plus spending on other fixed assets. The net cash inflow from financing represents the additional loans drawn down in the year.

## Swan Housing Group

The main factor influencing the amount and timing of borrowings is the pace of the development programme and this has a significant impact according to the timing of interim payments to contractors.

## Fixed Assets

The carrying value of the Group's fixed assets are represented by housing properties which are revalued each year less Social Housing Grants (SHGs), other capital grants, and accumulated depreciation. The carrying value at 31 March 2006 was £310m, an increase of £57m from the 31 March 2005 value of £253m, and is sufficient to meet all asset value related loan financial indicators.

## Statement of compliance

The Board confirms that this Operating and Financial Review has been prepared in accordance with the principles set out in part 3 of the Statement of Recommended Practice (SORP) 2005 for registered social landlords.

# Report of the board of management

## For the Year Ended 31 March 2006

The Board presents its report and the audited financial statements for the year ended 31 March 2006.

### The Group

The Group owns 6,111 units of property and manages a further 130 units under management agreements. It comprises:

- Swan Housing Association - the parent association which holds general needs properties outside Basildon and NHS keyworker accommodation.
- Swan (Essex) Housing Association – an association which holds general needs properties mainly in the Basildon area.
- Swan (London) Housing Association - a specialist supported housing association operating in Essex.
- Pike Housing Services Limited - a wholly owned unregistered subsidiary company of Swan (Essex) 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.

### 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 38.

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 £295 million loan facility, of which £210.4 million had been drawn down at 31 March 2006, leaving £85.6 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.

### 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.

### Charitable Donations

During the year, the Group made charitable donations of £3,276 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 25/01 Internal Controls Assurance.

### Statement of Compliance

Throughout the year ended 31 March 2006, the Group has been in compliance with the Code of Governance, Competence and Accountability.

### 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 2006/2007, 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.

### 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 reflect the Housing Corporation's good practice guide 'improving the effectiveness of Audit Committees'. The meetings are attended by the Chief Executive, Senior Finance Staff 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.

### External Audit

The work of the external auditors has been conducted in accordance with International Standards on Auditing (UK and Ireland) 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

The Group's approach to risk management and the work undertaken in the year are detailed in the Operating and Financial Review (pages 2).

### 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 continued to comply with the criterion 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 with the assessor commenting:

- Swan Housing Group goes to considerable lengths to ensure users and partners are informed how services are run and who is in charge. Methods include Swan's comprehensive tenant information pack and a detailed web site.
- Swan works closely with other RSLs, local authorities, police and community services to provide co-ordinated services across a wide geographical area. Swan's partnership with Learn Direct is particularly impressive.
- Arrangements are cost effective and meet the increasing demands of users. Users, partners and funders mentioned the professional and efficient way services are provided.
- Access to co-ordinated services is very evident from the success of a range of initiatives. Learn Direct indicated that the Laindon and Foyer projects are the most successful operating in Essex.

The Group has been awarded the Investors in People standard: a business improvement tool designed to advance an organisation's performance through its people and continuous improvement. The assessor concluded that 'Swan as a business continues to meet and surpass the Investors in People national standard'.

### 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 25.09.06

**S Hallam-Jones, Secretary**

## — Statement of the board's responsibilities in respect of the accounts

The Board are responsible for preparing the Annual Report and the financial statements. The Board have chosen to prepare the accounts for the Association in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The Industrial and Provident Societies Acts and registered social housing legislation requires the Board to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the Association and of the income and expenditure for that period that comply with UK GAAP and 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 2000.

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures explained and disclosed in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditors' report to Swan Housing Group

For the Year ended 31 March 2006

We have audited the financial statements of Swan Housing Group for the year ended 31 March 2006 which comprise the group income and expenditure account, the group statement of total recognised surpluses and deficits, the group note of historical cost surpluses and deficits, the association income and expenditure account, the association statement of total recognised surpluses and deficits, the association note of historical cost surpluses and deficits, the group balance sheet, the association balance sheet, the group cash flow statement and notes, 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 Group's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1965. Our audit work has been undertaken so that we might state to the Group's Members those matters we are required to state to them in an 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 via the Group's Members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Management and auditors

As described in the statement of the Board's of Management's responsibilities, the Board of Management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework 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 2006. We also report is, in our opinion, the Board of Management's report is not consistent with the financial statements, if the Group 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 Board of Management's report, and the Operating and Financial Review for the above year and consider the implications for our report if we become aware of any apparent misstatements.

## 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 directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the association and the group, 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 of the association and the group 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 2006 and of its deficit 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

26.09.06

**Notes:** An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

## Group income and expenditure account

For the Year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>	2 & 3	25,889	21,270
Operating costs	2 & 3	(18,963)	(16,471)
<b>Operating Surplus</b>		<u>6,926</u>	<u>4,799</u>
(Deficit)/surplus on sale of properties	6	(472)	2,049
Interest receivable	7	137	112
Interest payable and similar charges	8	(9,198)	(7,580)
<b>Deficit on ordinary activities before taxation</b>	9	(2,607)	(620)
Tax on deficit on ordinary activities	10	470	17
<b>Deficit on ordinary activities after taxation</b>	16	<u>(2,137)</u>	<u>(603)</u>

The turnover and deficit for both the current and prior year relate to continuing activities.

## Group statement of total recognised surpluses and deficits

For the Year Ended 31 March 2006

	2006 £'000	2005 £'000
<b>Deficit for the financial year</b>	(2,137)	(603)
Unrealised surplus on revaluation of housing properties	15,126	10,524
<b>Total surpluses recognised since last financial statements</b>	<u>12,989</u>	<u>9,921</u>

## Group note of historical cost surpluses and deficits

For the Year Ended 31 March 2006

	2006 £'000	2005 £'000
<b>Reported deficit on ordinary activities before taxation</b>	(2,607)	(620)
Realisation of property revaluation gain	426	398
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	1,129	1,015
<b>Historical cost (deficit)/surplus for the year before taxation</b>	<u>(1,052)</u>	<u>(793)</u>
<b>Historical cost (deficit)/surplus for the year after taxation</b>	<u>(582)</u>	<u>(810)</u>

# Association income and expenditure account

For the Year Ended 31 March 2006

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>	2 & 3	14,810	11,159
Operating costs	2 & 3	(10,617)	(7,742)
<b>Operating surplus</b>		4,193	3,417
(Deficit)/Surplus on sale of properties	6	(47)	2,313
Interest receivable	7	3,525	3,056
Interest payable and similar charges	8	(9,307)	(7,840)
<b>(Deficit)/Surplus on ordinary activities before taxation</b>	9	(1,636)	946
Tax on (deficit)/surplus on ordinary activities	10	(170)	89
<b>(Deficit)/Surplus on ordinary activities after taxation</b>	16	(1,806)	1,035

The turnover and deficit for the current and prior year relate to continuing activities.

# Association statement of total recognised surpluses and deficits

For the Year Ended 31 March 2006

	2006 £'000	2005 £'000
<b>(Deficit)/Surplus for the financial year</b>	(1,806)	1,035
Unrealised surplus on revaluation of housing and office properties	13,302	3,888
<b>Total surpluses recognised since last financial statements</b>	11,496	4,923

# Note of historical cost surpluses and deficits

For the Year Ended 31 March 2006

	2006 £'000	2005 £'000
<b>Reported (deficit)/surplus on ordinary activities before taxation</b>	(1,636)	946
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	140	86
<b>Historical cost (deficit)/surplus for the year before taxation</b>	(1,496)	1,032
<b>Historical cost (deficit)/surplus for the year after taxation</b>	(1,666)	1,121

# Group balance sheet

As at 31 March 2006

	Notes	2006 £'000	Restated 2005 £'000
<b>Tangible fixed assets</b>			
Housing properties at valuation	11a	309,628	253,089
Other fixed assets	11b	<u>3,069</u>	<u>2,534</u>
<b>Total tangible assets</b>		<u>312,697</u>	<u>255,623</u>
<b>Current assets</b>			
Debtors	12	3,022	8,766
Short term investments		5,387	2,967
Cash at bank and in hand		<u>2,420</u>	<u>632</u>
		<u>10,829</u>	<u>12,365</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(22,191)</u>	<u>(21,458)</u>
<b>Net current liabilities</b>		<u>(11,362)</u>	<u>(9,093)</u>
<b>Total assets less current liabilities</b>		<u>301,335</u>	<u>246,530</u>
<b>Creditors: amounts falling due after more than one year</b>	14	205,712	162,401
Provision for liabilities and charges	10	-	1,495
<b>Capital and reserves</b>			
Share capital	15	-	-
Income and expenditure account	16	4,411	5,648
Designated reserve	15	253	-
Revaluation reserve	16	<u>90,959</u>	<u>76,986</u>
		<u>301,335</u>	<u>246,530</u>

These financial statements were approved by the Board of Management on 25 September 2006 and were signed on its behalf by:

**R Frost**  
Chair

**A Holland**  
Board Member

**R Weekley**  
Treasurer

# Association balance sheet

As at 31 March 2006

	Notes	2006 £'000	2005 £'000
<b>Tangible fixed assets</b>			
Housing properties at valuation	11a	167,458	115,183
Other fixed assets	11b	<u>2,901</u>	<u>2,362</u>
<b>Total tangible assets</b>		170,359	117,545
<b>Investments</b>			
Inter-association on lending	11c	<u>60,800</u>	<u>57,200</u>
<b>Total fixed assets</b>		<u>231,159</u>	<u>174,745</u>
<b>Current assets</b>			
Debtors	12	3,166	6,492
Short term investments		2,809	1,529
Cash at bank and in hand		<u>1,458</u>	<u>225</u>
		7,433	8,246
<b>Creditors: amount falling due within one year</b>	13	<u>(13,274)</u>	<u>(11,998)</u>
<b>Net current liabilities</b>		<u>(5,841)</u>	<u>(3,752)</u>
<b>Total assets less current liabilities</b>		<u>225,318</u>	<u>170,993</u>
<b>Creditors: amounts falling due after more than one year</b>	14	203,382	160,102
Provision for liabilities and charges	10	-	451
<b>Capital and reserves</b>			
Share capital – non-equity	15	-	-
Income and expenditure account	16	(1,551)	115
Revaluation reserve	16	<u>23,487</u>	<u>10,325</u>
		<u>225,318</u>	<u>170,993</u>

These financial statements were approved by the Board of Management on 25 September 2006 and were signed on its behalf by:

R Frost  
Chair

A Holland  
Board Member

R Weekley  
Treasurer

# Group cash flow statement

For the Year Ended 31 March 2007

	Notes	2006 £'000	2005 £'000
<b>Net cash inflow from operating activities</b>	A	<u>9,001</u>	<u>10,321</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		137	112
Interest paid		(10,189)	(7,965)
Net cash outflow from returns on investments and servicing of finance		<u>(10,052)</u>	<u>(7,853)</u>
<b>Taxation</b>			
Corporation tax paid		(588)	(1,138)
<b>Capital expenditure</b>			
Payments to acquire housing property assets		(67,966)	(57,166)
Capital grants received		25,764	28,024
Payments to acquire other fixed assets		(163)	(289)
Receipts from sale of other tangible fixed assets		-	-
Receipts from sale of housing properties		<u>1,402</u>	<u>4,775</u>
<b>Net cash outflow from capital expenditure</b>		<u>(40,963)</u>	<u>(24,656)</u>
Net cash outflow before management of liquid resources and financing		<u>(42,602)</u>	<u>(23,326)</u>
<b>Management of liquid resources</b>			
Short term investments		(2,420)	-
<b>Financing</b>			
Housing loan received		<u>46,810</u>	<u>25,893</u>
Finance leases		-	-
Net cash inflow from financing		<u>46,810</u>	<u>25,893</u>
<b>(Increase)/decrease in cash</b>	B	<u>1,788</u>	<u>2,567</u>

# Notes to the cash flow statement

## For the Year Ended 31 March 2006

### A. Reconciliation of operating surplus to net cash inflow from operating activities

	Group	
	2006	2005
	£'000	£'000
Operating surplus	6,926	4,799
Depreciation	3,351	3,001
(Increase)/decrease in debtors	2,527	(3,924)
Increase/(decrease) in creditors	(3,803)	6,455
Net cash inflow from operating activities	<u>9,001</u>	<u>10,321</u>

### B. Reconciliation of net cashflow to movement in net debt

Increase/(decrease) in cash in the year	1,788	2,567
Increase/(decrease) in short term investments in the year	2,420	-
Cash inflow from increase in debt financing	(46,810)	(25,893)
Change in net debt resulting from cashflows	(42,602)	(23,326)
Change in net debt not resulting from cashflows	-	-
Movement in net debt in the year	(42,602)	(23,326)
Net debt at 1 April	(161,303)	(137,977)
Net debt at 31 March	<u>(203,905)</u>	<u>(161,303)</u>

### C. Analysis of changes in net debt

	At 1 April		At 31
	2005	Cash flow	March 2006
Group	£'000	£'000	£'000
Cash	632	1,788	2,420
Short term deposits	2,967	2,420	5,387
Debt due within one year	(2,500)	(3,500)	(6,000)
Debt due after more than one year	(159,378)	(43,311)	(202,688)
Finance leases	(3,024)	-	(3,024)
Total net debt	<u>(161,303)</u>	<u>(42,602)</u>	<u>(203,905)</u>

# Notes to the financial statements

For the year ended 31 March 2006

## 1 Principal accounting policies

### Basis of preparation

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 2005 (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
Computer equipment	25% on cost

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 the property, enhance the net 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.

## 1. Principal accounting policies (cont.)

### 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 tenant's arrears and a phased percentage provision is made against current tenant balances with a maximum of 75% for balances outstanding for more than twenty weeks.

### Taxation

As a result of the change to charitable status, deferred tax is only accounted for within Pike Housing Services Limited. 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 the input VAT recovered is credited against operating costs. Expenditure on taxable activities is shown exclusive of VAT.

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

Group	2006			2005		
	Turnover £'000	Operating Costs £'000	Surplus £'000	Turnover £'000	Operating Costs £'000	Surplus £'000
<b>Income and expenditure:</b>						
From social housing lettings	<u>22,395</u>	<u>(15,797)</u>	<u>6,598</u>	<u>19,097</u>	<u>(15,290)</u>	<u>3,807</u>
<b>Other social housing activities:</b>						
Management services	-	(193)	(193)	87	-	87
Supporting People contract income	612	(610)	2	586	(550)	36
Other	1,473	(1,233)	240	90	(91)	(1)
Development costs	-	<u>(602)</u>	<u>(602)</u>	-	<u>(111)</u>	<u>(111)</u>
	<u>2,085</u>	<u>(2,638)</u>	<u>(553)</u>	<u>763</u>	<u>(752)</u>	<u>11</u>
<b>Non – social housing activities:</b>						
Market rent lettings	1,398	(528)	870	1,404	(429)	975
Commercial lettings	<u>11</u>	-	<u>11</u>	<u>6</u>	-	<u>6</u>
	<u>1,409</u>	<u>(528)</u>	<u>881</u>	<u>1,410</u>	<u>(429)</u>	<u>981</u>
	<u>25,889</u>	<u>(18,963)</u>	<u>6,926</u>	<u>21,270</u>	<u>(16,471)</u>	<u>4,799</u>
<b>Association</b>						
Association	2006			2005		
	Turnover £'000	Operating Costs £'000	Surplus/ (deficit) £'000	Turnover £'000	Operating Costs £'000	Surplus £'000
<b>Income and expenditure:</b>						
From social housing lettings	<u>9,127</u>	<u>(4,993)</u>	<u>4,134</u>	<u>6,062</u>	<u>(3,342)</u>	<u>2,720</u>
<b>Other social housing activities:</b>						
Group management services	4,530	(5,032)	(502)	3,993	(3,907)	86
Other	168	(3)	165	84	(87)	3
Development costs	309	<u>(589)</u>	<u>(280)</u>	<u>349</u>	<u>(406)</u>	<u>(57)</u>
	<u>5,007</u>	<u>(5,624)</u>	<u>(617)</u>	<u>4,426</u>	<u>(4,400)</u>	<u>26</u>
<b>Non –social housing activities:</b>						
Market rent lettings	665	-	665	665	-	665
Commercial lettings	<u>11</u>	-	<u>11</u>	<u>6</u>	-	<u>6</u>
	<u>676</u>	-	<u>676</u>	<u>671</u>	-	<u>671</u>
	<u>14,810</u>	<u>(10,617)</u>	<u>4,193</u>	<u>11,159</u>	<u>(7,742)</u>	<u>3,417</u>

## 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 2006 £'000	Total 2005 £'000
Rent receivable net of identifiable service charges	16,389	1,191	-	426	239	18,245	15,560
Charges for support services	-	1,417	-	-	-	1,417	1,547
Service income	<u>1,046</u>	<u>388</u>	-	<u>74</u>	-	<u>1,508</u>	<u>548</u>
<b>Gross rental income</b>	17,435	2,996	-	500	239	21,170	17,655
Voids	(263)	(143)	-	(4)	(34)	(444)	(407)
<b>Net rental income</b>	17,172	2,853	-	496	205	20,726	17,248
Housing Corporation revenue grants	-	-	-	-	-	-	-
Other revenue grants	-	131	-	-	-	131	520
Temporary social housing management	-	-	-	-	14	14	75
Lease income	-	402	1,122	-	-	1,524	1,254
<b>Turnover from social housing lettings</b>	<u>17,172</u>	<u>3,386</u>	<u>1,122</u>	<u>496</u>	<u>219</u>	<u>22,395</u>	<u>19,097</u>
Management	(4,329)	(546)	-	(109)	(69)	(5,053)	(4,314)
Services	(966)	(409)	-	(82)	(5)	(1,688)	(1,515)
Routine maintenance	(2,558)	(366)	-	-	-	(2,200)	(1,917)
Planned maintenance	(1,790)	(257)	-	-	-	(2,047)	(3,580)
Bad debts	(459)	(89)	-	-	-	(584)	(456)
Care & Support services	-	(928)	-	-	-	(928)	(1,054)
Property lease charges	-	(147)	-	-	(208)	(355)	(407)
Depreciation of housing properties	(2,389)	(320)	(386)	(56)	-	(3,151)	(2,880)
<b>Operating costs on social housing lettings</b>	<u>(11,948)</u>	<u>(2,881)</u>	<u>(386)</u>	<u>(305)</u>	<u>(277)</u>	<u>(15,797)</u>	<u>(15,290)</u>
<b>Operating surplus on social housing lettings</b>	<u>5,224</u>	<u>505</u>	<u>736</u>	<u>191</u>	<u>(58)</u>	<u>6,598</u>	<u>3,807</u>

## 3. Particulars of income and expenditure from lettings (Cont.)

Association	NHS Trust Temporary				Total 2006 £'000	Total 2005 £'000
	General needs Housing £'000	Keyworker Accom. £'000	Social Housing £'000	Shared ownership £'000		
Rent receivable net of identifiable service charges	6,893	-	66	226	7,185	4,898
Service income	983	-	-	35	1,018	175
<b>Gross rental income</b>	<b>7,876</b>	<b>-</b>	<b>66</b>	<b>261</b>	<b>8,203</b>	<b>5,073</b>
Voids	(187)	-	(7)	(4)	(198)	(75)
<b>Net rental income</b>	<b>7,689</b>	<b>-</b>	<b>59</b>	<b>257</b>	<b>8,005</b>	<b>4,998</b>
Revenue grant	-	-	-	-	-	-
Lease income	-	1,122	-	-	1,122	1,064
<b>Turnover from social housing lettings</b>	<b>7,689</b>	<b>1,122</b>	<b>59</b>	<b>257</b>	<b>9,127</b>	<b>6,062</b>
Management	(840)	-	(6)	(22)	(868)	(451)
Services	(810)	-	-	(42)	(852)	(195)
Routine maintenance	(902)	-	-	-	(902)	(572)
Planned maintenance	(685)	-	-	-	(685)	(754)
Property lease charges	-	-	(79)	-	(79)	(60)
Bad debts	(242)	-	-	-	(242)	(141)
<b>Depreciation of housing properties</b>	<b>(979)</b>	<b>(386)</b>	<b>-</b>	<b>-</b>	<b>(1,365)</b>	<b>(1,169)</b>
<b>Operating costs on social housing lettings</b>	<b>(4,458)</b>	<b>(386)</b>	<b>(85)</b>	<b>(64)</b>	<b>(4,993)</b>	<b>(3,342)</b>
<b>Operating surplus on social housing lettings</b>	<b>3,231</b>	<b>736</b>	<b>26</b>	<b>193</b>	<b>4,134</b>	<b>2,720</b>

#### 4. Remuneration of officers and senior executives

	Group 2006 £'000	Association 2005 £'000
The aggregate amount of senior executive emoluments for the year (excluding pension contributions and taxable benefits)	<u>438</u>	<u>336</u>
Remuneration of the highest paid senior executive excluding pension contributions	<u>120</u>	<u>110</u>

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 (2005: £nil). Total expenses reimbursed to Board members were £11,974 (2005: £3,213).

#### 5. Staff numbers and costs

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

	Group and Association			
	2006 FTE's	2006 No.	2005 FTE's	2005 No.
Administration staff	133	138	109	112
Maintenance	7	7	6	6
Caretakers, cleaners and wardens	<u>3</u>	<u>4</u>	<u>3</u>	<u>4</u>
	<u>143</u>	<u>149</u>	<u>118</u>	<u>122</u>

The aggregate payroll cost of these persons was as follows:

	Group 2006 £'000	Association 2005 £'000
Wages and salaries	4,226	3,242
Social security costs	378	304
Other pension costs	<u>337</u>	<u>278</u>
	<u>4,941</u>	<u>3,824</u>

## 6. Sale of properties

	Sales Proceeds £'000	Cost of Sales £'000	2006 Surplus/ (Deficit) £'000	2005 Surplus/ (Deficit) £'000
<b>Group:</b>				
Sale of right to buy properties	1,266	(1,691)	(425)	(260)
Sale of shared ownership properties	-	-	-	(4)
Sale of right to acquire properties	136	(183)	(47)	110
Sale of surplus properties	-	-	-	2,203
Surplus/(deficit) on sale of properties	1,402	(1,874)	(472)	(2,049)
<b>Association:</b>				
Sale of right to acquire properties	136	(183)	(47)	110
Sale of surplus properties	-	-	-	2,203
Surplus/(deficit) on sale of properties	136	(183)	(47)	2,313

## 7. Interest receivable

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank interest receivable	95	81	50	33
Dividend income receivable	42	31	24	18
Interest charge on inter-group on lending	-	-	3,451	3,005
	<u>137</u>	<u>112</u>	<u>3,525</u>	<u>3,056</u>

## 8. Interest payable and similar charges

	Group		Association	
	2006	2005	2006	2005
Bank loans	10,280	8,358	10,258	8,474
Other bank charges	126	14	83	7
Finance lease charges	<u>189</u>	<u>183</u>	-	-
	10,595	8,555	10,341	8,481
Less: interest capitalised	<u>(1,397)</u>	<u>(975)</u>	<u>(1,034)</u>	<u>(641)</u>
	<u>9,198</u>	<u>7,580</u>	<u>9,307</u>	<u>7,840</u>

## 9. (Deficit)/Surplus for the year

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>The deficit for the year is stated after charging/(crediting):</b>				
Auditors' remuneration on audit services:				
- current year	36	33	18	10
- prior year	7	7	7	7
- in respect of other services	22	121	22	121
Depreciation on housing properties	3,213	2,902	1,365	1,169
Depreciation on other fixed assets	138	122	139	115
Operating lease charges - P&M	36	35	36	35
- Others	22	17	22	17
Group Management fees from other group undertakings	-	-	<u>(4,530)</u>	<u>(3,994)</u>

## 10. Taxation

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Tax charge/(credit) on deficit on ordinary activities</b>				
<u>Current tax:</u>				
Arising from earlier periods	311	-	305	-
Current year movements	398	187	-	-
<u>Deferred tax:</u>				
Arising from earlier periods	-	-	-	-
Current year movements	(1,179)	(204)	(135)	(89)
Tax charge on deficit on ordinary activities	<u>(470)</u>	<u>(17)</u>	170	<u>89</u>
<b>Tax reconciliation</b>				
Surplus/(deficit) on ordinary activities before tax	<u>(2,607)</u>	<u>(620)</u>	<u>(1,636)</u>	<u>946</u>
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005:30%)	(782)	(186)	(491)	284
Expenses not deductible for tax purposes (mainly non-qualifying depreciation)	1,201	780	639	280
Capital allowances for the period in excess/ (deficit) of depreciation	(447)	12	(358)	6
(Surpluses)/deficits not subject to taxation due to charitable status	-	17	-	-
Difference in capital gains tax base cost and accounting cost for property disposal	-	(501)	-	(694)
Capitalised interest payable, deductible for tax purposes	-	(247)	-	(192)

Short term timing differences	231	-	5	-
Tax losses not utilised	205	316	205	316
Marginal Relief and starting rate	-	(4)	-	-
Group Relief	(10)	-	-	-
Total current tax charge for current year	<u>398</u>	<u>187</u>	-	-

The deferred taxation provision in the financial statements and the amount of deferred tax asset are as follows:

	<b>Group</b>	<b>Association</b>
	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	1,179	135
Credit to the Income & Expenditure account	(1,179)	(135)
Closing balance	-	-

	<b>Group</b>		<b>Association</b>	
	<b>Amount Provided</b>	<b>Amount Provided</b>	<b>Amount Provided</b>	<b>Amount Provided</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Excess of depreciation over capital allowance	-	(14)	-	8
Other timing differences	-	1,509	-	443
Unutilised losses carried forward	-	-	-	-
	-	1,495	-	451
Deferred tax asset (within debtors)	-	(316)	-	(316)
Provision for liabilities and charges	<u>137</u>	<u>1,179</u>	-	<u>135</u>

## 11. Tangible fixed assets

### α) Housing properties: Group

	General /special needs £'000	Completed Shared Ownership £'000	Completed NHS Keyworker £'000	Market Rented £'000	Under constr. £'000	Total £'000
<b>Cost:</b>						
At 1 April 2005 (restated)	198,357	4,473	17,169	17,106	65,557	302,662
Additions	1,855	694	37	-	65,370	67,956
Disposals	(180)	(139)	-	-	-	(319)
Completions	24,913	7,585	-	-	(32,498)	-
Cost at 31 March 2006	<u>224,945</u>	<u>12,613</u>	<u>17,206</u>	<u>17,106</u>	<u>98,429</u>	<u>370,299</u>
<b>Depreciation:</b>						
At 1 April 2005 (restated)	(5,449)	(154)	(1,107)	(326)	-	(7,036)
Charge for year	(1,431)	(52)	(423)	(169)	-	(2,087)
Transfers	-	-	-	-	-	-
At 31 March 2006	<u>(6,880)</u>	<u>(206)</u>	<u>(1,539)</u>	<u>(495)</u>	-	<u>(9,120)</u>
<b>Social Housing Grant:</b>						
At 1 April 2005	(35,397)	(1,040)	-	-	(22,987)	(59,425)
Received during year	(5,852)	(18)	-	-	(6,318)	(12,188)
Completions	(3,304)	-	-	-	3,304	-
Disposals	-	-	-	-	-	-
At 31 March 2006	<u>(44,553)</u>	<u>(1,058)</u>	-	-	<u>(26,001)</u>	<u>(71,612)</u>
<b>Other Public Sector Grants:</b>						
At 1 April 2005	(44,105)	-	-	(349)	(15,421)	(59,875)
Received during year	(2,531)	(15)	-	-	(8,254)	(10,800)
Completions	(4,591)	-	-	-	4,591	-
At 31 March 2006	<u>(51,227)</u>	<u>(15)</u>	-	<u>(349)</u>	<u>(19,084)</u>	<u>(70,675)</u>
<b>Revaluation Reserve:</b>						
At 1 April 2005	65,296	7,072	-	4,394	-	86,914
Surplus for year	19,171	(3,292)	-	(753)	-	19,520
Depreciation charge for year	(1,086)	(4)	-	(39)	-	(804)
Disposals	(23)	-	-	-	-	(23)
At 31 March 2006	<u>83,358</u>	<u>3,776</u>	-	<u>3,602</u>	-	<u>90,736</u>
<b>Net Book Value:</b>						
At 31 March 2006	<u>205,643</u>	<u>15,110</u>	<u>15,667</u>	<u>19,864</u>	<u>53,344</u>	<u>309,628</u>
At 31 March 2005	<u>178,034</u>	<u>10,351</u>	<u>16,062</u>	<u>20,825</u>	<u>27,149</u>	<u>253,089</u>

## 11. Tangible fixed assets

### α) Housing properties: Association

	General Needs £'000	Shared Ownership £'000	NHS Key Worker £'000	Market Rented £'000	Under constr. £'000	Total £'000
<b>Cost:</b>						
At 1 April 2005	94,023	909	17,169	11,646	43,175	166,922
Additions	1,855	694	37	-	53,262	55,848
Transferred from subsidiaries	-	-	-	-	1,994	1,994
Disposals	(130)	-	-	-	-	(130)
Completions	20,208	7,585	-	-	(27,793)	-
Cost at 31 March 2006	<u>115,956</u>	<u>9,188</u>	<u>17,206</u>	<u>11,646</u>	<u>70,638</u>	<u>224,634</u>
<b>Depreciation:</b>						
At 1 April 2005	(1,680)	(3)	(1,107)	(326)	-	(3,116)
Charge for year	(669)	(4)	(432)	(120)	-	(1,225)
At 31 March 2006	<u>(2,349)</u>	<u>(7)</u>	<u>(1,539)</u>	<u>(446)</u>	-	<u>(4,341)</u>
<b>Social Housing Grant:</b>						
At 1 April 2005	(22,631)	-	-	-	(14,715)	(37,346)
Received during year	(2,604)	(16)	-	-	(2,339)	(4,959)
Completions	<u>(3,304)</u>	-	-	-	3,304	-
Transferred from subsidiaries	-	-	-	-	(1,994)	(1,994)
At 31 March 2006	<u>(28,539)</u>	<u>(16)</u>	-	-	<u>(15,744)</u>	<u>(44,299)</u>
<b>Other Public Sector Grants:</b>						
At 1 April 2005	(11,140)	-	-	(349)	(9,889)	(21,378)
Received during year	(2,317)	(15)	-	-	(8,090)	(10,422)
Completions	<u>(4,536)</u>	-	-	-	4,536	-
At 31 March 2006	<u>(17,993)</u>	<u>(15)</u>	-	<u>(349)</u>	<u>(13,443)</u>	<u>(31,800)</u>
<b>Revaluation Reserve:</b>						
At 1 April 2005	5,528	1,145	-	3,429	-	10,101
Surplus for year	15,384	(1,201)	-	(881)	-	13,302
Depreciation charge for year	(97)	(4)	-	(39)	-	(140)
At 31 March 2006	<u>20,185</u>	<u>(60)</u>	-	<u>2,509</u>	-	<u>23,264</u>
<b>Net Book Value:</b>						
At 31 March 2006	<u>87,890</u>	<u>9,090</u>	<u>15,667</u>	<u>13,360</u>	<u>41,451</u>	<u>167,458</u>
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>

## 11. Tangible fixed assets (cont.)

### α) Housing properties

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: £2.1m, Association: £1.8m (2005 Group: £1.3m, Association: £ 1m) and interest capitalised of Group: £1,397,000 Association: £ 1,034,000 (2005 Group: £974,000 Association: £655,000). 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%.

The maintenance and repair expenditure on housing properties for the Group is £4.25 million, Association £1.59 million (2005 Group: £5.5 million, Association: £1.33 million). None of this expenditure is capitalised.

Total maintenance and repair expenditure on housing properties for the year is £1.59 million (2005: £1.33 million). None of this expenditure is capitalised during the year.

All completed general needs and supported housing stock of the Group was valued as at 31 March 2006, on the basis of Existing Use Value for Social Housing (EUV-SH) assuming no vacant sales, for accounts purposes at Group: £236 million, Swan: £113 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 5.25% 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.

## b) Other fixed assets: Group

	Freehold offices & temporary buildings £'000	Computer Equipment £'000	Office Equipment And Fittings £'000	Total £'000
<b>Cost:</b>				
At 1 April 2005	2,103	909	503	3,515
Additions	—	<u>653</u>	<u>402</u>	<u>1,055</u>
Disposals				
At 31 March 2006	<u>2,103</u>	<u>1,562</u>	<u>905</u>	<u>4,570</u>
<b>Depreciation:</b>				
At 1 April 2005	(267)	(290)	(115)	(672)
Charge for the year	<u>(33)</u>	<u>(160)</u>	<u>(143)</u>	<u>(336)</u>
Disposals				
At 31 March 2006	<u>(300)</u>	<u>(450)</u>	<u>(258)</u>	<u>(1,008)</u>
<b>Revaluation Reserve:</b>				
At 1 April 2005 and 31 March 2006	224	-	-	224
<b>Net Book Value</b>				
At 31 March 2006	<u>2,163</u>	<u>1,112</u>	<u>647</u>	<u>3,922</u>
At 31 March 2005	<u>2,061</u>	<u>619</u>	<u>388</u>	<u>3,068</u>

The freehold office, Pilgrim House, is included at open market valuation as at March 2006. The valuation was carried out by FPD Savills. There was no change in the market value between March 2005 and March 2006.

## 11 Tangible fixed assets (cont.)

### b) Other fixed assets: Association

	Freehold offices & temporary buildings £'000	Computer Equipment £'000	Office Equipment And Fittings £'000	Total £'000
<b>Gross cost:</b>				
At 1 April 2005	1,891	597	119	2,607
Additions	-	312	366	678
At 31 March 2006	<u>1,891</u>	<u>909</u>	<u>485</u>	<u>3,285</u>
<b>Depreciation:</b>				
At 1 April 2005	(190)	(216)	(63)	(469)
Charge for year	(30)	(74)	(35)	(139)
At 31 March 2006	<u>(220)</u>	<u>(290)</u>	<u>(98)</u>	<u>(608)</u>
<b>Revaluation Reserve:</b>				
At 1 April 2005	224	-	-	224
At 31 March 2006	<u>224</u>	-	-	<u>224</u>
<b>Net Book Value</b>				
At 31 March 2006	<u>1,895</u>	<u>619</u>	<u>387</u>	<u>2,901</u>
At 31 March 2005	<u>1,925</u>	<u>381</u>	<u>56</u>	<u>2,362</u>

The freehold office, Pilgrim House, is included at open market valuation as at March 2006. The valuation was carried out by FPD Savills. There was no change in the market value between March 2005 and March 2006.

## c) Investments Association

**Inter-association  
on-lending £'000**

At 1 April 2005	57,200
Advance to Group member	3,600
At 31 March 2006	<u>60,800</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 2006 a loan of £41.9m has been provided to Swan (Essex) Housing Association, and a loan of £18.9m has been provided to Swan (London) Housing Association. These amounts relate to the development programmes and associated working capital requirements for the properties owned by Swan (Essex) Housing Association and Swan (London) Housing Association.

<b>Direct holdings</b>	<b>Activity</b>	<b>Country of registration</b>
Swan (Essex) HA Limited	Provision of homes to rent	Great Britain
Swan (London) HA Limited	Provision of homes to rent	Great Britain
Swan New Homes Limited	Build of new homes	Great Britain
Swan Commercial Services Limited	Design and build contractor	Great Britain
<b>Indirect holdings</b>		
Pike Housing Services Limited	Property letting	Great Britain

**12. Debtors**

	<b>Group</b>		<b>Association</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross arrears of rent and service charges	2,429	1,897	681	505
Less: provision for bad debts	<u>(1,244)</u>	<u>(994)</u>	<u>(363)</u>	<u>(250)</u>
Net arrears of rent and service charges	<u>1,185</u>	<u>903</u>	<u>318</u>	<u>255</u>
Social Housing Grant	277	3,054	21	1,697
Other debtors	269	165	4	25
Deferred tax asset	-	316	-	316
Prepaid interest cap fees	179	270	160	270
Other prepayments and accrued income	1,112	1,033	908	3,327
Finance Leases	-	3,025	-	-
Amounts owed by Group undertakings	-	-	1,755	602
	<u>3,022</u>	<u>8,766</u>	<u>3,166</u>	<u>6,402</u>

**13. Creditors: amounts falling due within one year**

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade creditors	1,723	1,693	1,260	1,080
Capital creditors	1,134	2,541	585	3,370
Other creditors	6,412	9,890	2,745	5,180
Rental income received in advance	493	445	271	217
Amounts owed to Group undertakings	-	-	520	99
Grant repayable on disposal	4,028	2,611	-	-
Interest payable	1,726	1,390	1,726	1,390
Housing loan	6,000	2,500	6,000	2,500
Corporation tax	464	187	-	-
Disposal Proceeds Fund	211	201	167	162
	<u>22,191</u>	<u>21,458</u>	<u>13,274</u>	<u>11,998</u>

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

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Housing loans – see note a	202,688	159,377	203,382	160,102
Finance leases – see note b	3,024	3,024	-	-
	<u>205,712</u>	<u>162,401</u>	<u>203,382</u>	<u>160,102</u>
<b>Housing loans, not repayable by instalments:</b>				
Falling due for repayment after five years	204,390	161,150	204,390	161,150
Less: issue costs	(1,702)	(1,773)	(1,008)	(1,048)
	<u>202,688</u>	<u>159,377</u>	<u>203,382</u>	<u>160,102</u>

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

Analysis of loan facilities	Interest Rate	Maturity of fix/cap	Group		Association	
			2006 £'000	2005 £'000	2006 £'000	2005 £'000
Falling due within one year:						
Facility B	LIBOR + 0.30%	Revolving	6,000	2,500	6,000	2,500
Falling due after five years:						
<b>Fixed:</b>						
Fixed rate	7.39%	2007	10,000	10,000	10,000	10,000
Fixed rate	6.91%	2010	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
			<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<b>Capped Rate:</b>						
Facility A	LIBOR + 0.50%	2007	-	-	-	-
Facility A	LIBOR + 0.45%	2007	42,500	42,500	42,500	42,500
<b>Floating Rate:</b>						
Facility A	LIBOR + 0.50%		-	-	-	-
Facility A	LIBOR + 0.55%		-	-	-	-
Facility A	LIBOR + 0.45%		57,500	57,500	57,500	57,500
Facility C	LIBOR + 0.55%		19,600	14,500	19,600	14,500
Facility D	LIBOR + 0.40%		64,790	26,650	64,790	26,650
Total Housing loans falling due after five years			<u>204,390</u>	<u>161,150</u>	<u>204,390</u>	<u>161,150</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.

## b) Finance Leases

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Market rented properties	3,024	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

	2006 £
Outstanding at 1 April, 2005	9
Allocated during the year	2
Resigned during the year	1
Shares of £1 each allotted, issued and fully paid	<u>10</u>

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	Designated Reserve £'000	Total £'000
As at 1 April 2005	5,648	76,986	-	82,634
Revaluation surplus in year – housing properties	-	15,126	-	15,126
Deficit for year	(2,137)	-	-	(2,137)
Realisation of revaluation surplus on properties sold in the year	24	(24)	-	-
Transfer to designated reserve	(253)	-	253	-
Transfer of depreciation relating to revaluation	1,129	(1,129)	-	-
As at 31 March 2006	<u>4,411</u>	<u>90,959</u>	<u>253</u>	<u>95,623</u>

**Reserves – Association**

	Income & Expenditure Account	Revaluation Reserve	Total
	£'000	£'000	£'000
As at 1 April 2005	115	10,325	10,440
Revaluation surplus in year: housing properties	-	13,302	13,302
Deficit for year	(1,806)	-	(1,806)
Transfer of depreciation relating to revaluation	140	(140)	-
As at 31 March 2006	<u>(1,551)</u>	<u>23,487</u>	<u>21,936</u>

**17. Commitments**

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

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Contracted but not provided	<u>134,291</u>	<u>35,855</u>	<u>123,612</u>	<u>24,376</u>
Authorised but not contracted	<u>148,043</u>	<u>76,602</u>	<u>132,197</u>	<u>68,458</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	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
<b>Operating leases which expire:</b>				
Within one year	-	6	-	6
In the second to fifth years inclusive	<u>58</u>	<u>46</u>	<u>58</u>	<u>46</u>
	<u>58</u>	<u>52</u>	<u>58</u>	<u>52</u>

## 18. Analysis of completed property units

At 31 March 2006 the Group's housing stock comprised:

	Group			
	Owned		Managed	
	Number of units		Number of units	
	2006	2005	2006	2005
<b>Social Housing:</b>				
General needs	4,323	3,874	-	-
Shared ownership	331	260	-	-
Sheltered (Elderly)	35	35	-	-
Other Supported Housing	532	267	-	-
NHS keyworker accommodation	479	444	76	-
Supported housing (Floating Support)	-	-	26	28
Temporary Social Housing	-	-	28	39
<b>Total Social Housing</b>	<u>5,730</u>	<u>4,880</u>	<u>130</u>	<u>67</u>
<b>Non-Social Housing:</b>				
Market rented	168	170	-	-
Garages	38	41	-	-
Sold to Leaseholder with retained freehold	205	205	-	-
<b>Total Housing Stock</b>	<u>6,111</u>	<u>5,296</u>	<u>130</u>	<u>67</u>

## 18. Analysis of completed property units (Cont.)

	Association			
	Owned		Managed	
	Number of units		Number of units	
	2006	2005	2006	2005
<b>Social housing:</b>				
General needs	1,885	1,536	-	-
Leased to subsidiary undertaking – Market Rented	83	83	-	-
Shared ownership	156	83	-	-
NHS keyworker accommodation	479	444	76	-
Temporary Social Housing	-	-	<u>7</u>	<u>11</u>
<b>Total owned and managed housing stock</b>	<u>2,603</u>	<u>2,146</u>	<u>83</u>	<u>11</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 five 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, M Elston, T Smith and D Robinson. There were no other related party transactions with the tenant members.

The Association has provided car purchase loans to three Directors, the terms and interest rate is the same as that available to staff.

As at 31 March 2006 the aggregate outstanding balance was £46k

## 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 Trustee commissions an actuarial valuation of the Scheme every 3 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 so the Scheme can meet its pension obligations as they fall due.

During the accounting period the Association paid contributions at the rate of 11.7% (2005 - 11.7%). Member contributions vary between 3.1% and 6.1% (2005 - 3.1% and 6.1%) depending on their age.

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

The Association has subsequently been notified of the preliminary results of the triennial valuation carried out on 30 September 2005.

This indicates an increase in the assets of the Scheme to £1,278 million and an increase in the shortfall of assets compared to liabilities to £283 million. This valuation, and any consequent alteration to future rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be made known in September 2006, and any consequent changes to contribution rates applied from 1 April 2007. The following notes therefore relate to the formal valuation of September 2002.

### Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
— Rate of pension increases	2.5
— Rate of price inflation	2.5
— 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.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or in the Scheme winding up.

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

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

One member of staff is a member of the London Borough of Tower Hamlets Pension Fund; the Employer was fully funded on the ongoing funding basis at the date of joining in 2005.

## 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:

	2006 £'000	2005 £'000
<b>Amount allocated:</b>		
Swan (Essex) Housing Association (formerly Basildon Community Housing Association)	3,333	3,233
Pike Housing Services Limited	173	168
Swan (London) Housing Association (formerly Cygnet Housing Association)	<u>515</u> 4,021	<u>335</u> 3,736
Management expenses	<u>(4,530)</u>	<u>(3,993)</u>
Operating (deficit)/surplus on inter-association services	<u>(509)</u>	<u>(257)</u>

Under the Group loan facility Swan draws down the loans and on-lends to the other Associations in the Group. At 31 March 2006, Swan had provided term finance of £41.91m to Swan (Essex) Housing Association (formerly Basildon Community Housing Association) and £18.9m to Swan (London) Housing Association (formerly Cygnet Housing Association).

## 23. Contingent liabilities

### Performance bonds

Swan (Essex) 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 £638,140 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.

## 24. Restatement

Swan (Essex) Housing Association (formerly 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 £638,140 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 2015.





