



Financial Statements

For the year ended 31st March 2007

— Financial statements

For the Year Ended 31 March 2007

Legal and Administrative details	4
Report of the Board of Management	13
Statement of the Board's Responsibilities	17
Independent auditors' report on the Financial Statements	18
Group Income and Expenditure Account	19
Group statement of total recognised surpluses and deficits	20
Group note of historical cost surpluses and deficits	20
Association Income and Expenditure Account	21
Association statement of total recognised surpluses and deficits	21
Association note of historical cost surpluses and deficits	21
Group Balance Sheet	22
Association Balance Sheet	23
Group cash flow statement and related notes	24
Notes to the Financial Statements	26

— Legal & Administrative Details

BOARD

R Frost	Chair
I Ritchie	Vice Chair
A Rowley	Vice Chair
R Weekley	Treasurer
H Chen	
A Holland	
J Quill	Resigned 26 March 2007
J Synnuck	Resigned 4 December 2006
Gideon Amos	Appointed 26 March 2007
Tim Gerrard	Appointed 26 March 2007
David Holmes	Appointed 26 March 2007
George Kieffer	Appointed 26 March 2007
Derek Morrison	Appointed 26 March 2007
Gary Sullivan	Appointed 26 March 2007

EXECUTIVE DIRECTORS

J Synnuck	Chief Executive
M Thompson	Executive Director
J Ellis	Housing Services Director – Resigned 2 October 2006
I Nelthorpe	Central Services Director
P Edwards	Director of Treasury Services – Appointed 1 April 2006
T Bird	Director of Asset Management – Appointed 1 March 2007
S Fawcett	Regional Director Housing (London) – Appointed 1 March 2007
M Gibbons	Regional Director Housing (Essex) – Appointed 2 October 2006
M Rutherford	Interim Financial Services Director – Appointed 1 July 2006
Manches	3 Worcester Street, Oxford, OX1 2PZ

SOLICITORS

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

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 7,607 units in management at 31 March 2007 as shown below:-

	Group			
	Owned Number of units		Managed Number of units	
	2007	2006	2007	2006
Social Housing:				
General needs	4,928	4,323	-	-
Shared ownership	346	331	-	-
Sheltered (Elderly)	35	35	-	-
Other Supported Housing	543	532	-	-
NHS keyworker accommodation	479	479	89	76
Supported housing (Floating Support)	-	-	15	26
Temporary Social Housing	-	-	<u>17</u>	<u>28</u>
Total Social Housing	6,331	5,700	121	130
Non-Social Housing:-				
Market rented	148	168	-	-
Garages	409	38	-	-
Sold to leaseholder with retained freehold	598	205	-	-
Total Housing Stock	7,486	6,111	121	130

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 the other Group members and for the 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 preferred partner status with the Housing Corporation for the two years to 31 March 2008 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 high risk, an assessment that the Board and the Executive Team agree with.

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 1.

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 other than those dwellings transferred from the L.B of Tower Hamlets on the Crossways and Exmouth Estates 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 Industrial and Provident 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

Equality & 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:

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

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 £1.5 million (2006 – deficit before tax of £2.6 million) which included housing property depreciation on a valuation basis of £3.0 million (2006 - £3.2 million). In addition the Group showed a revaluation surplus on its completed housing properties of £19.6 million (2006 - £15.5 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 1,375 units during the year.

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

	Turnover		Operating Surplus	
	2007	2006	2007	2006
Social Housing:				
General needs	21,215	17,172	6,670	5,224
Supported housing (Floating Support)	3,331	3,386	217	505
NHS keyworker accommodation	1,194	1,122	771	736
Shared ownership	774	496	204	191
Temporary Social Housing	<u>108</u>	<u>219</u>	<u>18</u>	<u>(58)</u>
Total Social Housing	26,622	22,395	7,880	6,598
Other social housing activities:				
Management services	(100)	-	(672)	(193)
Supporting People contract income	859	612	859	2
Other	716	1,473	(288)	(362)
Non-Social Housing:				
Market rented	1,423	1,409	890	881
Commercial	<u>36</u>	-	<u>36</u>	-
Total	<u>29,556</u>	<u>25,889</u>	<u>8,705</u>	<u>6,926</u>

Swan Housing Group

A selection of key performance indicators for the Group are presented below.

	2007	2006
EBITDA interest cover % Percentage of routine repairs completed within target: Swan Housing Group	103%	93%
Current rent arrears % :Swan Housing Group	4.8%	4.4%

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 Director of Treasury Services and the Company Secretary as well as a cross representation of staff from all functional activities.

The Group Board has assessed that the risks in the next table are those most likely to influence future performance.

Risk	Status/action being taken
Inability to attract & retain quality staff	<ul style="list-style-type: none"> — Make Swan the employer of choice — Benchmarking of salaries to remain in the upper quartile — Emphasis on work-life balance
Inadequately skilled & structured Board	<ul style="list-style-type: none"> — Training programme for all Board members — Restructured Boards following corporate changes — Formal contracts for Board members
Downturn in the housing market	<ul style="list-style-type: none"> — 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
Interest Rates	<ul style="list-style-type: none"> — 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.

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 2006-2008 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 Group can continue to invest in providing quality affordable homes throughout the Essex area.

The NAHP bid round for 2009-2012 commences during the coming financial year, and it is the Group's aim to retain its status as the premier partner organisation in the East of England region.

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 from the previous year.

Treasury Policy

Borrowings management is the responsibility of the Director of Treasury Services. 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 2007 the Group borrowings were £245m. The loans are drawn from a total committed loan facility of £295 million provided by a syndicate headed by Royal Bank of Scotland 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.

During the coming financial year, the Group will be negotiating an extension to its existing loan facilities to assist with the continued growth plans of the organisation.

Cash Flow and liquidity

Cash inflows and outflows for the period under review are set out in the Group 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 drawdown 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 2007 was £362m, an increase of £56m from the 31 March 2006 value of £305m, 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 2007

The Board presents its report and the audited financial statements for the year ended 31 March 2007.

The Group

The Group owns 7,486 units of property and manages a further 121 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.
- 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 pages 38 and 39.

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 £244.8 million had been drawn down at 31 March 2007, leaving £50.2 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 £1,191 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 2004 and with the Housing Corporation Circular R2 25/01 Internal Controls Assurance.

Statement of Compliance

Throughout the year ended 31 March 2007, 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 2005 showed an increase in the deficit to £283 million, representing an overall funding level of 82%.

Going Concern

Following a review of the Group Budget for 2007/2008, 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 7 and 8).

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.

- Swan continues to work closely with the wider community to promote social cohesion and reduce crime. Swan also supports employment and training initiatives through initiatives such as the Five Links Project

- 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 was re accredited the Investors in People standard in 2005: 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 28.09.07

S Hallam-Jones, Secretary

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

The board of management is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom 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 group and association at the end of the year and of the surplus or deficit of the group and association for the year then ended.

In preparing those financial statements the board of management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice:
- Accounting by registered social landlords" (Update 2005), subject to any material departures disclosed and explained in the financial statements.

The board of management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board of management is responsible for ensuring that the Report of the Board of Management is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005).

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

Independent auditors' report to Swan Housing Group

For the Year ended 31 March 2007

We have audited the financial statements of Swan Housing Group for the year ended 31 March 2007 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 25. 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 1968. 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 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 if, 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 Group's affairs as at 31 March 2007 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 2006.

Deloitte & Touche LLP



Chartered Accountants and Registered Auditors
St Albans

28.09.07

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 2007

	Notes	2007 £'000	2006 £'000
Turnover	2 & 3	29,556	25,889
Operating costs	2 & 3	(20,851)	(18,963)
Operating Surplus		<u>8,705</u>	<u>6,926</u>
Surplus/(deficit) on sale of properties	6	72	(472)
Interest receivable	7	227	137
Interest payable and similar charges	8	(10,509)	(9,198)
Deficit on ordinary activities before taxation	9	(1,505)	(2,607)
Tax on deficit on ordinary activities	10	88	470
Deficit on ordinary activities after taxation	16	<u>(1,417)</u>	<u>(2,137)</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 2007

	2007 £'000	2006 £'000
Deficit for the financial year	(1,417)	(2,137)
Unrealised surplus on revaluation of housing properties	<u>19,656</u>	<u>15,126</u>
Total surpluses recognised since last financial statements	18,239	12,989
Restatement of revaluation reserve due to incorrect classification within housing and office property between properties completed and properties under construction (see note 24)	<u>(3,822)</u>	
Total recognised deficit from the financial statements published last year	<u>14,417</u>	

Group note of historical cost surpluses and deficits

For the Year Ended 31 March 2007

	2007 £'000	2006 £'000
Reported deficit on ordinary activities before taxation	(1,505)	(2,607)
Realisation of property revaluation gain	399	26
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	804	1,129
Historical cost deficit for the year before taxation	<u>(302)</u>	<u>(1,052)</u>
Historical cost deficit for the year after taxation	<u>(214)</u>	<u>(582)</u>

Association income and expenditure account

For the Year Ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Turnover	2 & 3	19,115	14,810
Operating costs	2 & 3	(14,433)	(10,617)
Operating surplus		4,682	4,193
Surplus/(deficit) on sale of properties	6	131	(47)
Interest receivable	7	3,666	3,525
Interest payable and similar charges	8	(10,599)	(9,307)
Deficit on ordinary activities before taxation	9	(2,120)	(1,636)
Tax on deficit on ordinary activities	10	-	(170)
Deficit on ordinary activities after taxation	16	(2,120)	(1,806)

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 2007

	2007 £'000	2006 £'000
Deficit for the financial year	(2,120)	(1,806)
Unrealised surplus on revaluation of housing and office properties	14,673	13,302
Total surpluses recognised since last financial statements	12,553	11,496

Association note of historical cost surpluses and deficits

For the Year Ended 31 March 2007

	2007 £'000	2006 £'000
Reported deficit on ordinary activities before taxation	(2,120)	(1,636)
Difference between historical depreciation charge and the actual charge for the year calculated on the revalued amount	167	140
Realised profit on disposal	160	-
Historical cost deficit for the year before taxation	(1,793)	(1,496)
Historical cost deficit for the year after taxation	(1,793)	(1,666)

Group balance sheet

As at 31 March 2007

	Notes	2007 £'000	Restated 2006 £'000
Tangible fixed assets			
Housing properties at valuation	11a	362,433	305,806
Other fixed assets	11b	<u>3,922</u>	<u>3,068</u>
Total tangible assets		<u>366,355</u>	<u>308,874</u>
Current assets			
Debtors	12	5,336	3,022
Short term investments		474	5,387
Cash at bank and in hand		<u>1,010</u>	<u>2,420</u>
		<u>6,820</u>	<u>10,829</u>
Creditors: amounts falling due within one year	13	<u>(26,152)</u>	<u>(22,190)</u>
Net current liabilities		<u>(19,332)</u>	<u>(11,361)</u>
Total assets less current liabilities		<u>347,023</u>	<u>297,513</u>
Creditors: amounts falling due after more than one year	14	236,983	205,712
Capital and reserves			
Share capital	15	-	-
Income and expenditure account	16	4,054	4,411
Designated reserve	16	396	253
Revaluation reserve	16	<u>105,590</u>	<u>87,137</u>
		<u>347,023</u>	<u>297,513</u>

These financial statements were approved by the Board of Management on 24 September 2007 and were signed on its behalf by:

R Frost
Chair

A Holland
Board Member

R Weekley
Treasurer

Association balance sheet

As at 31 March 2007

	Notes	2007 £'000	2006 £'000
Tangible fixed assets			
Housing properties at valuation	11a	216,419	167,458
Other fixed assets	11b	<u>3,755</u>	<u>2,901</u>
Total tangible assets		220,174	170,359
Investments			
Inter-association on lending	11c	<u>62,800</u>	<u>60,800</u>
Total fixed assets		<u>282,974</u>	<u>231,159</u>
Current assets			
Debtors	12	4,399	3,166
Short term investments		6	2,809
Cash at bank and in hand		<u>993</u>	<u>1,458</u>
		5,398	7,433
Creditors: amount falling due within one year	13	<u>(19,262)</u>	<u>(13,274)</u>
Net current liabilities		<u>(13,864)</u>	<u>(5,841)</u>
Total assets less current liabilities		<u>269,110</u>	<u>225,318</u>
Creditors: amounts falling due after more than one year	14	234,621	203,382
Capital and reserves			
Share capital – non-equity	15	-	-
Income and expenditure account	16	(3,344)	(1,551)
Revaluation reserve	16	<u>37,833</u>	<u>23,487</u>
		<u>269,110</u>	<u>225,318</u>

These financial statements were approved by the Board of Management on 24 September 2007 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	2007 £'000	2006 £'000
Net cash inflow from operating activities	A	<u>12,974</u>	<u>9,001</u>
Returns on investments and servicing of finance			
Interest received		227	137
Interest paid		(13,199)	(10,189)
Net cash outflow from returns on investments and servicing of finance		(12,972)	(10,052)
Taxation			
Corporation tax paid		(363)	(588)
Capital expenditure			
Payments to acquire housing property assets		(83,943)	(67,966)
Capital grants received		37,751	25,764
Payments to acquire other fixed assets		(1,055)	(163)
Receipts from sale of housing properties		<u>6,456</u>	<u>1,402</u>
Net cash outflow from capital expenditure		<u>(40,791)</u>	<u>(40,963)</u>
Net cash outflow before management of liquid resources and financing		(41,153)	(42,602)
Management of liquid resources			
Short term investments		4,913	(2,420)
Financing			
Housing loan received		<u>34,471</u>	<u>46,810</u>
Net cash inflow from financing		<u>34,471</u>	<u>46,810</u>
(Decrease)/increase in cash	B	<u>(1,769)</u>	<u>1,788</u>

Notes to the cash flow statement

For the Year Ended 31 March 2007

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

	Group	
	2007	2006
	£'000	£'000
Operating surplus	8,705	6,926
Depreciation	3,367	3,351
(Increase)/decrease in debtors	(1,502)	2,527
Increase/(decrease) in creditors	2,403	(3,803)
Net cash inflow from operating activities	<u>12,973</u>	<u>9,001</u>

B. Reconciliation of net cashflow to movement in net debt

(Decrease)/increase in cash in the year	(1,410)	1,788
Increase in overdraft in the year	<u>(359)</u>	-
	(1,769)	1,788
(Decrease)/increase in short term investments in the year	(4,913)	2,420
Cash inflow from increase in debt financing	<u>(34,471)</u>	<u>(46,810)</u>
Change in net debt resulting from cashflows	(41,153)	(42,602)
Change in net debt not resulting from cashflows	-	-
Movement in net debt in the year	<u>(41,153)</u>	<u>(42,602)</u>
Net debt at 1 April	<u>(203,905)</u>	<u>(161,303)</u>
Net debt at 31 March	<u>(245,058)</u>	<u>(203,905)</u>

C. Analysis of changes in net debt

	At 1 April	Cash flow	At 31
Group	2006	£'000	March 2007
	£'000	£'000	£'000
Cash	2,420	(1,410)	1,010
Short term deposits	5,387	(4,913)	474
Overdraft	-	(359)	(359)
Debt due within one year	(6,000)	(3,200)	(9,200)
Debt due after more than one year	(202,688)	(31,271)	(233,959)
Finance leases	<u>(3,024)</u>	-	<u>(3,024)</u>
Total net debt	<u>(203,905)</u>	<u>(41,153)</u>	<u>(245,058)</u>

Notes to the financial statements

For the year ended 31 March 2007

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 in 2005 (the "SORP") and applicable financial reporting standards, and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 ("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, and deducted from the cost of the fixed asset.

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 to be matched against future capital expenditure as it is incurred. Housing Association Grant (HAG) is included under Social Housing Grant heading.

Capital development grants may be repayable under certain circumstances, primarily following the sale of a property. Provision for repayment is made in the Balance Sheet when properties which have previously received grant funding are sold.

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.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Revaluation reserve

The difference between the market value of investments and the historical cost carrying value is credited to the revaluation reserve.

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

Group	2007			2006		
	Turnover £'000	Operating Costs £'000	Surplus £'000	Turnover £'000	Operating Costs £'000	Surplus £'000
Income and expenditure:						
From social housing lettings	<u>26,622</u>	<u>(18,742)</u>	<u>7,880</u>	<u>22,395</u>	<u>(15,797)</u>	<u>6,598</u>
Other social housing activities:						
Management services	(100)	(572)	(672)	-	(193)	(193)
Supporting People contract income	859	-	859	612	(610)	2
Other	221	-	221	1,473	(1,233)	240
Development costs	<u>495</u>	<u>(1,004)</u>	<u>(509)</u>	-	<u>(602)</u>	<u>(602)</u>
	<u>1,475</u>	<u>(1,576)</u>	<u>(101)</u>	<u>2,085</u>	<u>(2,638)</u>	<u>(553)</u>
Non – social housing activities:						
Market rent lettings	1,423	(533)	890	1,398	(528)	870
Commercial lettings	<u>36</u>	-	<u>36</u>	<u>11</u>	-	<u>11</u>
	<u>1,459</u>	<u>(533)</u>	<u>926</u>	<u>1,409</u>	<u>(528)</u>	<u>881</u>
	<u>29,556</u>	<u>(20,851)</u>	<u>8,705</u>	<u>25,889</u>	<u>(18,963)</u>	<u>6,926</u>
Association						
Association	2007			2006		
	Turnover £'000	Operating Costs £'000	Surplus/ (deficit) £'000	Turnover £'000	Operating Costs £'000	Surplus £'000
Income and expenditure:						
From social housing lettings	<u>12,595</u>	<u>(7,748)</u>	<u>4,847</u>	<u>9,127</u>	<u>(4,993)</u>	<u>4,134</u>
Other social housing activities:						
Group management services	5,605	(6,276)	(671)	4,530	(5,032)	(502)
Other	211	-	211	168	(3)	165
Development costs	-	<u>(409)</u>	<u>(409)</u>	<u>309</u>	<u>(589)</u>	<u>(280)</u>
	<u>5,816</u>	<u>(6,685)</u>	<u>(869)</u>	<u>5,007</u>	<u>(5,624)</u>	<u>(617)</u>
Non –social housing activities:						
Market rent lettings	668	-	668	665	-	665
Commercial lettings	<u>36</u>	-	<u>36</u>	<u>11</u>	-	<u>11</u>
	<u>704</u>	-	<u>704</u>	<u>676</u>	-	<u>676</u>
	<u>19,115</u>	<u>(14,433)</u>	<u>4,682</u>	<u>14,810</u>	<u>(10,617)</u>	<u>4,193</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 2007 £'000	Total 2006 £'000
Rent receivable net of identifiable service charges	20,322	1,375	-	626	146	22,469	18,245
Charges for support services	-	908	-	-	-	908	1,417
Service income	<u>1,344</u>	<u>569</u>	-	<u>152</u>	-	<u>2,065</u>	<u>1,508</u>
Gross rental income	21,666	2,852	-	778	146	25,442	21,170
Voids	(451)	(320)	-	(4)	(40)	(815)	(444)
Net rental income	21,215	2,532	-	774	106	24,627	20,726
Other revenue grants	-	343	-	-	-	343	131
Temporary social housing management	-	-	-	-	2	2	14
Lease income	-	456	1,194	-	-	1,650	1,524
Turnover from social housing lettings	<u>21,215</u>	<u>3,331</u>	<u>1,194</u>	<u>774</u>	<u>108</u>	<u>26,622</u>	<u>22,395</u>
Management	(5,791)	(329)	-	(183)	(43)	(6,346)	(5,053)
Services	(1,181)	(419)	-	(82)	(5)	(1,688)	(1,515)
Routine maintenance	(2,558)	(366)	-	-	-	(2,923)	(2,200)
Planned maintenance	(2,624)	(162)	-	-	-	(2,786)	(2,047)
Bad debts	(481)	(103)	-	-	-	(584)	(548)
Care & Support services	-	(1,234)	-	-	-	(1,234)	(928)
Property lease charges	(147)	(139)	-	-	(42)	(329)	(355)
Depreciation of housing properties	(1,763)	(362)	(423)	(305)	-	(2,851)	(3,151)
Operating costs on social housing lettings	<u>(14,545)</u>	<u>(3,114)</u>	<u>(423)</u>	<u>(570)</u>	<u>(90)</u>	<u>(18,742)</u>	<u>(15,797)</u>
Operating surplus on social housing lettings	<u>6,670</u>	<u>217</u>	<u>771</u>	<u>204</u>	<u>18</u>	<u>7,880</u>	<u>6,598</u>

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

Association	NHS Trust Temporary				Total 2007 £'000	Total 2006 £'000
	General needs	Keyworker	Social	Shared		
	Housing £'000	Accom. £'000	Housing £'000	ownership £'000		
Rent receivable net of identifiable service charges	9,960	-	53	409	10,422	7,185
Service income	<u>1,213</u>	-	-	<u>124</u>	<u>1,337</u>	<u>1,018</u>
Gross rental income	11,173	-	53	533	11,759	8,203
Voids	<u>(340)</u>	-	<u>(13)</u>	<u>(5)</u>	<u>(358)</u>	<u>(198)</u>
Net rental income	<u>10,833</u>	-	<u>40</u>	<u>528</u>	<u>11,401</u>	<u>8,005</u>
Lease income	-	<u>1,194</u>	-	-	<u>1,194</u>	<u>1,122</u>
Turnover from social housing lettings	<u>10,833</u>	<u>1,194</u>	<u>40</u>	<u>528</u>	<u>12,595</u>	<u>9,127</u>
Management	(1,993)	-	(10)	(95)	(2,098)	(868)
Services	(1,029)	-	(4)	(49)	(1,082)	(852)
Routine maintenance	(1,092)	-	-	-	(1,092)	(902)
Planned maintenance	(1,378)	-	-	-	(1,378)	(685)
Property lease charges	(147)	-	-	-	(147)	(79)
Bad debts	(365)	-	-	-	(365)	(242)
Depreciation of housing properties	<u>(1,200)</u>	<u>(386)</u>	-	-	<u>(1,586)</u>	<u>(1,365)</u>
Operating costs on social housing lettings	<u>(7,204)</u>	<u>(386)</u>	<u>(14)</u>	<u>(144)</u>	<u>(7,748)</u>	<u>(4,993)</u>
Operating surplus on social housing lettings	<u>3,629</u>	<u>808</u>	<u>26</u>	<u>384</u>	<u>4,847</u>	<u>4,134</u>

4. Remuneration of officers and senior executives

	Group 2007 £'000	Association 2006 £'000
The aggregate amount of senior executive emoluments for the year (excluding pension contributions and taxable benefits)	<u>380</u>	<u>438</u>
Remuneration of the highest paid senior executive excluding pension contributions	<u>130</u>	<u>120</u>

The Chief Executive is an ordinary member of the Social Housing Pension Scheme described in note 21. Parent board members received remuneration from 1 April 2006 £13,902 (2006: £nil). Total expenses reimbursed to Board members were £4,888 (2006: £11,974).

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			
	2007 FTE's	2007 No.	2006 FTE's	2006 No.
Administration staff	162	167	133	138
Maintenance	12	13	7	7
Caretakers, cleaners and wardens	<u>12</u>	<u>12</u>	<u>3</u>	<u>4</u>
	<u>186</u>	<u>192</u>	<u>143</u>	<u>149</u>

The aggregate payroll cost of these persons was as follows:

	Group 2007 £'000	Association 2006 £'000
Wages and salaries	5,539	4,226
Social security costs	515	378
Other pension costs	<u>456</u>	<u>337</u>
	<u>6,510</u>	<u>4,941</u>

6. Sale of properties

	Group		Association	
	2007	£'000	2006	£'000
	2007	£'000	2006	£'000
Right to buy:				
Sales – gross	210	1,214	-	-
Less: clawback payable to local authority	<u>(178)</u>	<u>(960)</u>	-	-
Net proceeds	32	254	-	-
Cost of sales – historic	(20)	(253)	-	-
Cost of sales – revaluation	<u>(61)</u>	<u>(426)</u>	-	-
Deficit for the year	(49)	(425)	-	-
Shared ownership staircasing:				
Sales – gross	522	138	201	136
Less: clawback payable to local authority	<u>(116)</u>	<u>(181)</u>	-	-
Net proceeds	406	(47)	201	136
Cost of sales – historic	<u>53</u>	-	<u>89</u>	(183)
Cost of sales – revaluation	<u>(260)</u>	-	<u>(118)</u>	-
Surplus for the year	199	(47)	172	(47)
Other property sales:				
Sales – gross	279	-	175	-
Cost of sales – historic	(279)	-	(175)	-
Cost of sales – revaluation	<u>(78)</u>	-	<u>(41)</u>	-
	(78)	-	(41)	-
Total surplus on sale of properties	<u>72</u>	<u>(472)</u>	<u>131</u>	<u>(47)</u>

Included within cost of sales is £399,000 of the revaluation which relates to the properties disposed of. This amount has been debited to the Income and Expenditure per FRS 3 and subsequently credited back to the Income and Expenditure in note 16.

7. Interest receivable

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank interest receivable	183	95	117	50
Dividend income receivable	44	42	28	24
Interest charge on inter-group on lending	-	-	3,521	3,451
	<u>227</u>	<u>137</u>	<u>3,666</u>	<u>3,525</u>

8. Interest payable and similar charges

	Group		Association	
	2007	2006	2007	2006
Bank loans	12,908	10,280	12,908	10,258
Other bank charges	145	126	102	83
Finance lease charges	<u>146</u>	<u>189</u>	-	-
	13,199	10,595	13,010	10,341
Less: interest capitalised	<u>(2,690)</u>	<u>(1,397)</u>	<u>(2,411)</u>	<u>(1,034)</u>
	<u>10,509</u>	<u>9,198</u>	<u>10,599</u>	<u>9,307</u>

9. Deficit for the year

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
The deficit for the year is stated after charging/(crediting):				
Auditors' remuneration on audit services:				
- current year	16	36	16	18
- prior year	32	7	32	7
- in respect of other services	50	22	50	22
Depreciation on housing properties	3,031	3,213	1,593	1,365
Depreciation on other fixed assets	338	138	330	139
Operating lease charges - P&M	66	36	66	36
- Others	8	22	8	22
Group Management fees from other group undertakings	-	-	<u>(5,605)</u>	<u>(4,530)</u>

10. Taxation

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Tax charge/(credit) on deficit on ordinary activities				
<u>Current tax:</u>				
Arising from earlier periods	(88)	311	-	305
Current year movements	-	398	-	-
<u>Deferred tax:</u>				
Current year movements	-	(1,179)	-	(135)
Tax charge on deficit on ordinary activities	<u>(88)</u>	<u>(470)</u>	-	<u>170</u>
Tax reconciliation				
Deficit on ordinary activities before tax	<u>(1,417)</u>	<u>(2,607)</u>	<u>(2,120)</u>	<u>(1,636)</u>
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006:30%)	(425)	(782)	(636)	(491)
Expenses not deductible for tax purposes (mainly non-qualifying depreciation)	-	1,201	-	639
Capital allowances for the period in excess/ (deficit) of depreciation	-	(447)	-	(358)
Short term timing differences	-	231	-	5
Tax losses not utilised	-	205	-	205
Charitable status – no tax charge	425	-	636	-
Group Relief	-	(10)	-	-
Total current tax charge for current year	-	<u>398</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
Cost:						
At 1 April 2006 (restated)	234,672	12,613	17,206	17,106	91,058	372,655
Additions	2,627	509	-	6	83,491	86,633
Disposals	(191)	(5,872)	-	-	-	(6,063)
Transfers	8,116	-	-	(8,116)	-	-
Completions	55,898	7,885	2,895	-	(66,678)	-
Cost at 31 March 2007	<u>301,122</u>	<u>15,135</u>	<u>20,101</u>	<u>8,996</u>	<u>107,871</u>	<u>453,225</u>
Depreciation:						
At 1 April 2006 (restated)	(6,932)	(206)	(1,539)	(495)	-	(9,172)
Charge for year	(1,388)	(269)	(423)	(147)	-	(2,227)
Transfers	(528)	-	-	528	-	-
At 31 March 2007	<u>(8,848)</u>	<u>(475)</u>	<u>(1,962)</u>	<u>(114)</u>	-	<u>(11,399)</u>
Social Housing Grant:						
At 1 April 2006 (restated)	(46,097)	(1,058)	-	-	(24,424)	(71,579)
Received during year	(504)	-	-	(6,420)	(26,705)	(33,629)
Transfers	(3,303)	-	-	3,303	-	-
Completions	(17,853)	(1,478)	(1,552)	(185)	21,068	-
Disposals	50	8	-	-	-	58
At 31 March 2007	<u>(67,707)</u>	<u>(2,528)</u>	<u>(1,552)</u>	<u>(3,302)</u>	<u>(30,061)</u>	<u>(105,150)</u>
Other Public Sector Grants:						
At 1 April 2006 (restated)	(55,536)	(15)	-	(349)	(17,112)	(73,012)
Received during year	(327)	(423)	-	-	(5,732)	(6,482)
Transfers	(175)	-	-	175	-	-
Completions	(5,566)	(2,583)	(38)	-	8,187	-
Disposals	-	20	-	-	-	- 20
At 31 March 2007	<u>(61,604)</u>	<u>(3,001)</u>	<u>(38)</u>	<u>(174)</u>	<u>(14,657)</u>	<u>(79,474)</u>
Revaluation Reserve:						
At 1 April 2006 (restated)	79,536	3,776	-	3,602	-	86,914
Surplus for year	13,349	4,996	-	1,175	-	19,520
Depreciation charge for year	(735)	(36)	-	(33)	-	(804)
Disposals	(302)	(97)	-	-	-	(399)
At 31 March 2007	<u>91,848</u>	<u>8,639</u>	-	<u>4,744</u>	-	<u>105,231</u>
Net Book Value:						
At 31 March 2007	<u>254,811</u>	<u>17,770</u>	<u>16,549</u>	<u>10,150</u>	<u>63,153</u>	<u>362,433</u>
At 31 March 2006 (restated)	<u>205,643</u>	<u>15,110</u>	<u>15,667</u>	<u>19,864</u>	<u>49,522</u>	<u>305,806</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
Cost:						
At 1 April 2006	115,956	9,188	17,206	11,646	70,638	224,634
Additions	2,588	509	-	6	75,643	78,746
Disposals	(70)	(5,836)	-	-	-	(5,906)
Transfers	5,826	-	-	(5,826)	-	-
Completions	43,502	2,286	2,895	1	(48,684)	-
Cost at 31 March 2007	<u>167,802</u>	<u>6,147</u>	<u>20,101</u>	<u>5,827</u>	<u>97,597</u>	<u>297,474</u>
Depreciation:						
At 1 April 2006	(2,349)	(7)	(1,539)	(446)	-	(4,341)
Transfers	(251)	-	-	251	-	-
Charge for year	(879)	(67)	(423)	(57)	-	(1,426)
At 31 March 2007	<u>(3,479)</u>	<u>(74)</u>	<u>(1,962)</u>	<u>(252)</u>	-	<u>(5,767)</u>
Social Housing Grant:						
At 1 April 2006	(28,539)	(16)	-	-	(15,744)	(44,299)
Received during year	(504)	-	-	(6,420)	(24,336)	(31,260)
Disposals	19	-	-	-	-	19
Transfers	(3,303)	-	-	3,303	-	-
Completions	(10,802)	-	(1,552)	(185)	12,539	-
At 31 March 2007	<u>(43,129)</u>	<u>(16)</u>	<u>(1,552)</u>	<u>(3,302)</u>	<u>(27,541)</u>	<u>(75,540)</u>
Other Public Sector Grants:						
At 1 April 2006	(17,993)	(15)	-	(349)	(13,443)	(31,800)
Received during year	(327)	(423)	-	-	(4,692)	(5,442)
Disposals	-	20	-	-	-	20
Transfers	(175)	-	-	175	-	-
Completions	(1,618)	(2,583)	(38)	-	4,239	-
At 31 March 2007	<u>(20,113)</u>	<u>(3,001)</u>	<u>(38)</u>	<u>(174)</u>	<u>(13,896)</u>	<u>(37,222)</u>
Revaluation Reserve:						
At 1 April 2006	20,815	(60)	-	2,509	-	23,264
Surplus for year	843	8,334	-	5,360	-	14,537
Disposals	(160)	-	-	-	-	(160)
Depreciation charge for year	(149)	-	-	(18)	-	(167)
At 31 March 2007	<u>21,349</u>	<u>8,274</u>	-	<u>7,851</u>	-	<u>37,474</u>
Net Book Value:						
At 31 March 2007	<u>122,430</u>	<u>11,330</u>	<u>16,549</u>	<u>9,950</u>	<u>56,160</u>	<u>216,419</u>
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>

11. Tangible fixed assets (cont.)

α) Housing properties

The Association has received Social Housing Grant from the Housing Corporation and local authorities and grant from 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 Partnerships 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 housing properties are disposed of, Social Housing Grant is recycled or becomes repayable to the Housing Corporation.

Included within additions are development administration costs of Group: £2.8m, Association: £2.3m (2006 Group: £2.1m, Association: £1.8m) and interest capitalised of Group: £2.7m Association: £2.4m (2006 Group: £1.4m, Association: £1,.0m). The interest capitalisation was calculated using the Group's average cost of floating rate borrowing each month. The average rate during the year was 5.0%.

The maintenance and repair expenditure on housing properties for the Group is £5.7 m, Association £2.4m (2006 Group: £4.25m, Association: £1.59m). None of this expenditure is capitalised.

Total maintenance and repair expenditure on housing properties for the year is £2.4m (2006: £1.6m). None of this expenditure is capitalised during the year.

All completed housing stock of the Group was valued as at 31 March 2007, on the basis of Existing Use Value for Social Housing (EUV-SH) for accounts purposes at Group: £363m, Swan: £218m. The valuation was undertaken in accordance with the RICS Appraisal & Valuation Manual ('The Red Book') where EUV-SH is defined at UKPS1.13. In determining this valuation, the valuers made use of discounted cashflow methodology and the key assumptions made concerned the level of future rents, future repair and maintenance costs, the rate of turnover of existing tenants 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.

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
Cost:				
At 1 April 2006	2,103	909	503	3,515
Additions	<u>-</u>	<u>653</u>	<u>402</u>	<u>1,055</u>
At 31 March 2007	<u>2,103</u>	<u>1,562</u>	<u>905</u>	<u>4,570</u>
Depreciation:				
At 1 April 2006	(267)	(290)	(115)	(672)
Charge for the year	<u>(33)</u>	<u>(160)</u>	<u>(143)</u>	<u>(336)</u>
At 31 March 2007	<u>(300)</u>	<u>(450)</u>	<u>(258)</u>	<u>(1,008)</u>
Revaluation Reserve:				
At 1 April 2006	224	-	-	224
Surplus for the year	<u>136</u>	-	-	<u>136</u>
At 31 March 2007	<u>360</u>	-	-	<u>360</u>
Net Book Value				
At 31 March 2007	<u>2,163</u>	<u>1,112</u>	<u>647</u>	<u>3,922</u>
At 31 March 2006	<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 31 March 2007 for accounts purposes at £2m. The valuation was carried out by FPD Savills.

11 Tangible fixed assets (cont.)

b) Other fixed assets: Group

	Freehold offices & temporary buildings £'000	Computer Equipment £'000	Office Equipment And Fittings £'000	Total £'000
Cost:				
At 1 April 2006	1,891	909	485	3,285
Additions	-	653	395	1,048
At 31 March 2007	<u>1,891</u>	<u>1,562</u>	<u>880</u>	<u>4,333</u>
Depreciation:				
At 1 April 2006	(220)	(290)	(98)	(608)
Charge for year	(30)	(160)	(140)	(330)
At 31 March 2007	<u>(250)</u>	<u>(450)</u>	<u>(238)</u>	<u>(938)</u>
Revaluation Reserve:				
At 1 April 2006	224	-	-	224
Surplus for the year	136	-	-	136
At 31 March 2007	<u>360</u>	-	-	<u>360</u>
Net Book Value				
At 31 March 2007	<u>2,001</u>	<u>1,112</u>	<u>642</u>	<u>3,755</u>
At 31 March 2006	<u>1,895</u>	<u>619</u>	<u>387</u>	<u>2,901</u>

The freehold office, Pilgrim House, is included at open market valuation as at 31 March 2007 for accounts purposes at £2m. The valuation was carried out by FPD Savills.

c) Investments Association

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

At 1 April 2006	60,800
Advance to Group member	2,000
At 31 March 2007	<u>62,800</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 2007 a loan of £42.9m 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.

Direct holdings	Activity	Country of registration
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
Indirect holdings		
Pike Housing Services Limited	Property letting	Great Britain

12. Debtors

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Gross arrears of rent and service charges	3,658	2,429	1,217	681
Less: provision for bad debts	<u>(1,588)</u>	<u>(1,244)</u>	<u>(536)</u>	<u>(363)</u>
Net arrears of rent and service charges	<u>2,070</u>	<u>1,185</u>	<u>681</u>	<u>318</u>
Social Housing Grant	1,088	277	1,088	21
Other debtors	576	269	50	4
Prepaid interest cap fees	58	179	53	160
Other prepayments and accrued income	1,544	1,112	1,062	908
Amounts owed by Group undertakings	-	-	1,465	1,755
	<u>5,336</u>	<u>3,022</u>	<u>4,399</u>	<u>3,166</u>

13. Creditors: amounts falling due within one year

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdraft	359	-	-	-
Trade creditors	4,650	1,723	4,320	1,260
Capital creditors	153	1,134	153	585
Disposal Proceeds Fund	361	211	307	167
Grant repayable on disposal	2,479	4,028	-	-
Other creditors	6,124	6,411	3,572	2,745
Rental income received in advance	712	493	370	271
Amounts owed to Group undertakings	-	-	213	520
Interest payable	2,101	1,726	1,127	1,726
Housing loan	9,200	6,000	9,200	6,000
Corporation tax	-13	464	-	-
	<u>26,152</u>	<u>22,190</u>	<u>19,262</u>	<u>13,274</u>

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

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Housing loans – see note a	233,959	202,688	234,621	203,382
Finance leases – see note b	3,024	3,024	-	-
	<u>236,983</u>	<u>205,712</u>	<u>234,621</u>	<u>203,382</u>
Housing loans, not repayable by instalments:				
Falling due for repayment after five years	235,590	204,390	235,590	204,390
Less: issue costs	(1,631)	(1,702)	(969)	(1,008)
	<u>233,959</u>	<u>202,688</u>	<u>234,621</u>	<u>203,382</u>

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

Analysis of loan facilities	Interest Rate	Maturity of fix/cap	Group		Association	
			2007 £'000	2006 £'000	2007 £'000	2006 £'000
Falling due within one year:						
Facility B	LIBOR + 0.30%	Revolving	9,200	6,000	9,200	6,000
Falling due after five years:						
Fixed:						
Fixed rate	7.40%	2007	10,000	10,000	10,000	10,000
Fixed rate	6.92%	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>
Capped Rate: Facility A	6% Capped	2007	42,500	42,500	42,500	42,500
Floating Rate:						
Facility A	LIBOR + 0.45%		57,500	57,500	57,500	57,500
Facility C	LIBOR + 0.55%		19,600	19,600	19,600	19,600
Facility D	LIBOR + 0.40%		95,990	64,790	95,990	64,790
			<u>173,090</u>	<u>141,890</u>	<u>173,090</u>	<u>141,890</u>
Total Housing loans falling due greater than one year			<u>235,590</u>	<u>204,390</u>	<u>235,590</u>	<u>204,390</u>
			<u>244,790</u>	<u>210,390</u>	<u>244,790</u>	<u>210,390</u>

The loans above are drawn from a total committed loan facility of £295million provided by a syndicate headed by Royal Bank of Scotland 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 A and B are included in current liabilities.

b) Finance Leases

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Market rented properties	3,024	3,024	-	-

Finance Leases represent the capital funding advanced under finance leases for a total of 35 properties. These entail the funder (Bradford and Bingley plc) purchasing the freehold of properties on the open market, leasing them to Swan (Essex) Housing Association for 25 years and Swan (Essex) Housing Association entering into a back to back lease with Pike Housing Services. At the end of the lease term Bradford and Bingley plc have a put option to sell the properties and Swan (Essex) Housing Association has a call option to purchase the properties, both at historic cost. These options are replicated between Swan (Essex) Housing Association and Pike Housing Services.

15. Share capital – Group and Association

	2007 £
Outstanding at 1 April, 2006	10
Allocated during the year	6
Resigned during the year	4
Shares of £1 each allotted, issued and fully paid	<u>12</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 2006 (Restated)	4,411	87,137	253	91,801
Revaluation surplus in year – housing properties	-	19,656	-	19,656
Deficit for year	(1,417)	-	-	(1,417)
Realisation of revaluation surplus on properties sold in the year	399	(399)	-	-
Transfer to designated reserve	(143)	-	143	-
Transfer of depreciation relating to revaluation	804	(804)	-	-
As at 31 March 2007	<u>4,054</u>	<u>105,590</u>	<u>396</u>	<u>110,040</u>

A designated reserve has been set up to pay for the replacement of white goods when required in the supported housing schemes where required by the lease.

Reserves – Association

	Income & Expenditure Account	Revaluation Reserve	Total
	£'000	£'000	£'000
As at 1 April 2006	(1,551)	23,487	21,936
Revaluation surplus in year: housing properties	-	14,673	14,673
Deficit for year	(2,120)	-	(2,120)
Transfer of surplus on sale of property	160	(160)	-
Transfer of depreciation relating to revaluation	167	(167)	-
As at 31 March 2007	<u>(3,344)</u>	<u>37,833</u>	<u>34,489</u>

17. Commitments

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

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Contracted but not provided	<u>120,554</u>	<u>134,291</u>	<u>116,764</u>	<u>123,612</u>
Authorised but not contracted	<u>103,255</u>	<u>148,043</u>	<u>102,398</u>	<u>132,197</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	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	<u>58</u>	-	<u>58</u>
In the second to fifth years inclusive	-	<u>58</u>	-	<u>58</u>

18. Analysis of completed property units

At 31 March 2007 the Group's housing stock comprised:

	Group			
	Owned		Managed	
	Number of units		Number of units	
	2007	2006	2007	2006
Social Housing:				
General needs	4,928	4,323	-	-
Shared ownership	346	331	-	-
Sheltered (Elderly)	35	35	-	-
Other Supported Housing	543	532	-	-
NHS keyworker accommodation	479	479	89	76
Supported housing (Floating Support)	-	-	15	26
Temporary Social Housing	-	-	17	28
Total Social Housing	<u>6,331</u>	<u>5,700</u>	<u>121</u>	<u>130</u>
Non-Social Housing:-				
Market rented	148	168	-	-
Garages	409	38	-	-
Sold to Leaseholder with retained freehold	598	205	-	-
Total Housing Stock	<u>7,486</u>	<u>6,111</u>	<u>121</u>	<u>130</u>

18. Analysis of completed property units (Cont.)

	Association			
	Owned		Managed	
	Number of units		Number of units	
	2007	2006	2007	2006
Social housing:				
General needs	2,394	1,885	-	-
Leased to subsidiary undertaking – Market Rented	83	83	-	-
Shared ownership	174	156	-	-
NHS keyworker accommodation	479	479	89	76
Temporary Social Housing	-	-	<u>7</u>	<u>7</u>
Total owned and managed housing stock	<u>3,130</u>	<u>2,603</u>	<u>96</u>	<u>83</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 R Butcher, J Elkins, T Bunby, N Golamnohee and M Sharif. There were no other related party transactions with the tenant members.

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

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 level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

During the accounting period the Association paid contributions at the rate of 11.7% (2006 – 11.7%). Member contributions vary between 3.1% and 6.1% (2006- 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 accounting charge for the period under FRS17 represents the employer contribution payable. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30

September 2006. Such a report is required by legislation for years in which a full actuarial report is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87%.

Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
— Investment return pre retirement	7.2
— Investment return post retirement	4.8
— Rate of salary increases to 30 September 2010	5.0
— Rate of salary increases from 1 October 2010	4.0
— Rate of pension increases	2.5

Valuation Results

The valuation revealed a shortfall of assets compared with the value of liabilities of some £283 million (equivalent to a past service funding level of 82%).

The long-term joint contribution rate required from employers and members to meet the cost of future benefit was assessed as 17.6% of pensionable salaries.

Following consideration of the results of the actuarial valuation it has been agreed that, with effect from 1 April 2007:

- i)** The standard employer contribution rate will be increased from 11.7% to 14.1% of pensionable salaries.
- ii)** Member contributions will also be increased by 2.3% from 4.1-6.1% to 6.4-8.4% 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).

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

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

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:

	2007	2006
	£'000	£'000
Amount allocated:		
Swan (Essex) Housing	3,492	3,333
Pike Housing Services Limited	177	173
Swan (London) Housing Association	300	515
	<u>3,969</u>	<u>4,021</u>

Under the Group loan facility Swan draws down the loans and on-lends to the other Associations in the Group. At 31 March 2007, Swan had provided term finance of £42.9m to Swan (Essex) Housing Association (formerly Basildon Community Housing Association) and £19.9m 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

The restatement of revaluation reserve has arisen due to incorrect classification within housing properties between properties completed and properties under construction. This has resulted in a prior year increase in the cost of completed properties and thus a reduction in the revaluation reserve. The reduction to the revaluation is £3,822,000

