



**GRANGE MANAGEMENT (SOUTHERN)
LIMITED**

**Report of the Board
and
Financial Statements
for the year ended 31 March 2009**

Grange

INDUSTRIAL & PROVIDENT SOCIETY NO. 23580R

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BOARD, EXECUTIVE AND ADVISERS

Board

Peter Reynolds (Chairman)
Alan Forbes JP
Peter Gray (appointed 5 June 2008)
Alan Meekings
Gary Phillips (resigned 31 October 2008)
Lorraine Murphy
Tom Martin (resigned 31 October 2008)

Company Secretary

Rod Ainsworth

Registered office

Unit 6
Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

Principal Solicitors

DMH Stallard
Gainsborough House
Pegler Way
Crawley
West Sussex
RH11 7FZ

Bankers

NatWest Bank PLC
143 High Street
Bromley
Kent
BR1 1JH

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

REPORT OF THE BOARD

Grange Management (Southern) Limited ("Grange") presents its report and audited financial statements for the period ended 31 March 2009.

Principal Activities

The principal activities of the Society are to provide management services, largely to the residential leasehold property market, and the holding of residential property for investment purposes.

The Year Under Review

The Society made a small surplus for the year of £24,000 (2008: a deficit of £136,000) on a Turnover of £2.2 million (2008: £1.9 million). The overall financial results are positive and show an improvement on last year. Its operating Costs total £2.1 million, marginally lower than last year (2008: £2.1 million). Last year, Grange relocated to new premises and incurred a number of one off costs on redundancy payments, recruitment costs, office refurbishment costs, printing, removal costs, marketing and training. The inward investment in the business last year has put Grange on a strong footing to deliver increased profits. This was achieved in 2008/09 and is expected to continue.

In the year there were some senior management changes following the departure of the former Chief Executive in October 2008. The management team now includes the Affinity Sutton's Group Commercial Director.

During the year, the Society became a subsidiary of Downland Housing Association. It repaid its loan with Barclays Bank PLC and agreed a facility of £1.5m with its new parent. The loan is used to invest in new freehold blocks and the future expansion of its business activities. The increased interest payments of £135,000 (2008: £58,000) include the write off of the Barclays Bank loan set up costs of £85,000. Long term loans at 31 March 2009 totalled £1,030,000 (2008: £1,030,000).

Grange's investment properties are valued at £8.3 million (2008: £7.4 million) and includes warden accommodation of £5.4 million (2008: £4.1 million).

The Board's Responsibilities in Respect of the Board Report and the Financial Statements

The Board is responsible for preparing financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Society, and of the surplus or deficit for that period. In preparing those financial statements the Board is required to:

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

REPORT OF THE BOARD (CONTINUED)

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Industrial and Provident Society Acts. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

The Board members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware, and that each Board member has taken all the steps that he or she ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Society's System of Internal Control

Responsibility

The Board is responsible for ensuring that sound systems of internal control exist across Grange which focus on the significant risks that threaten the Society's ability to meet its objectives and provide reasonable assurance for the safeguarding of assets.

The key means of identifying, evaluating and managing the systems of internal control are:

- the existence of suitable governance arrangements;
- adherence to Group-wide financial regulations and delegated authorities;
- key accounting policies and other procedures;
- management structures that ensure adequate separation of key duties and responsibilities;
- formal risk management arrangements which involve the assessment of all major business risks and action plans to mitigate the worst effects of those risks;
- a Group level Health and Safety function;
- a Group-wide Internal Audit function structured to deliver the Group Audit Committee's three-year, risk-based audit plan, quality assurance and risk assessment. As well as having its own internal audit team, the Group uses the services of external firms of professional auditors and other specialists as appropriate. All audit reports are reviewed by the Group Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations;
- business planning, budgeting and budgetary control arrangements;
- a Group-wide policy and procedure for dealing with suspected fraud and whistleblowing. The Society participated in the 2008 National Fraud Initiative sponsored by the Audit Commission.

REPORT OF THE BOARD (CONTINUED)

The Group Chief Executive and senior manager within the Society have reviewed the internal controls and assurance arrangements by reference to checks and reports on the above. The Group Chief Executive has reported to the Board that he is satisfied with the effectiveness of the control systems. The Group Audit Committee has also expressed its satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which would result in material losses, contingencies or uncertainties, or which require disclosure in the financial statements.

Going Concern

After reviewing Grange's strategic business planning and control procedures, the Board has a reasonable expectation that Grange Management (Southern) Limited has adequate resources to continue operating for the foreseeable future.

Directors

The Directors holding office at the date of this report are listed in Page 3.

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the Society during the year.

Political and Charitable Contributions

The Society made no political contributions during the period (2008:£nil).

Auditors

KPMG LLP have expressed their willingness to continue in office. Accordingly a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Peter Reynolds
Chairman
7 July 2009

REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE MEMBERS OF GRANGE MANAGEMENT (SOUTHERN) LIMITED

We have audited the financial statements of Grange Management (Southern) Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Surpluses and Deficits, the Note of Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The responsibility of the Society's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on page 4 and 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Society has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Board's Report and consider the implications for our report if we become aware of any apparent misstatements within it. We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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 judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE MEMBERS OF GRANGE MANAGEMENT (SOUTHERN) LIMITED - (CONTINUED)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Society as at 31 March 2009 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003.

KPMG LLP

Chartered Accountants & Registered Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	2,190	1,945
Operating costs	2	<u>(2,103)</u>	<u>(2,115)</u>
Operating surplus/(deficit)	2	<u>87</u>	<u>(170)</u>
Surplus on disposal on properties		67	73
Interest receivable and similar income		5	4
Interest payable and similar charges	6	<u>(135)</u>	<u>(58)</u>
Surplus/ (Deficit) on ordinary activities before taxation	5	24	(151)
Taxation	7	<u>-</u>	<u>15</u>
Surplus/(Deficit) for the year	13	<u><u>24</u></u>	<u><u>(136)</u></u>

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
Surplus/ (Deficit) for the financial year		24	(136)
Surplus arising on the revaluation of fixed assets	8	812	4,046
Total recognised surplus for the year		<u><u>836</u></u>	<u><u>3,910</u></u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
Reported Surplus on ordinary activities before taxation		24	(136)
Realisation of property revaluation surpluses of previous years	13	<u>23</u>	<u>32</u>
Historical cost surplus on ordinary activities before taxation		47	(104)
Tax on surplus on ordinary activities	7	-	-
Historical cost surplus for the year after taxation		<u><u>47</u></u>	<u><u>(104)</u></u>

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
Tangible fixed assets			
Investment properties	8	8,250	7,436
Other fixed assets	8	125	122
Total tangible fixed assets		8,375	7,558
Current assets			
Debtors	9	817	754
Cash at bank and in hand		485	11
		1,302	765
Creditors: amounts falling due within one year	10	(939)	(586)
Net current assets		363	179
Total assets less current liabilities		8,738	7,737
Creditors: amounts falling due after more than one year	11	1,110	945
Capital and reserves			
Share capital	12	-	-
Revaluation reserve	13	6,105	5,316
Income and expenditure account	13	1,523	1,476
		8,738	7,737

All shareholdings relate to non-equity interests.

The financial statements were approved by the board on 7 July 2009 and were signed on its behalf by:

Peter Reynolds
Chairman
7 July 2009

Alan Forbes
Director

Rod Ainsworth
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. Accounting policies

The Society is incorporated under the Industrial and Provident Societies Act 1965. The accounts are prepared under the Industrial and Provident Societies Acts 1965 to 2003 and are in accordance with applicable Accounting Standards in the United Kingdom.

No cash flow statement is presented as the Society's cash flows are reported in the consolidated accounts of its ultimate parent company.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of Accounting

The financial statements are prepared on the historical cost basis of accounting, modified by the revaluation of investment properties.

Turnover

Turnover represents management fees, ground rents, promotion and assignment fees and other sundry income.

Other Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful economic lives:

Fixtures, fittings and equipment	-	5 years
Computer equipment	-	4 years
Leasehold offices	-	Over the term of the lease

Investment Properties

Grange Management (Southern) Limited has an interest in the freeholds of certain properties. These are treated under SSAP 19 as investment properties.

The freeholds are deemed investment properties because these are held for the purpose of:

- *ensuring a continuing ground rent income; and
- *guaranteeing future management income.

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve.

No depreciation is provided in respect of investment properties. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate these would not give a true and fair view and that it is necessary to adopt SSAP19 in order to give a true and fair view.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

1. Accounting policies (continued)

Leased assets

Finance leases are recorded in the balance sheet as assets at their fair value at the date of inception of the leases together with a corresponding liability for future rents. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Value Added Tax

The company's VAT affairs are dealt with under a Group registration in the name of The Affinity Sutton Group Limited. The company recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT.

Pension Costs

The company participates in three pension schemes, defined benefit pension schemes with Downland Housing Group Pension and Assurance Scheme and the Social Housing Pension Scheme, and a defined contribution scheme with Friends Provident. The assets of the schemes are held separately from those of the company.

The contribution level is set by a qualified actuary and is charged to the income and expenditure account so as to spread the cost over the service lives of employees.

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

Deferred taxation

Full provision is made for timing differences which have arisen at the balance sheet date where material. Amounts recognised in respect of deferred tax are discounted.

Loans and other Financial Instruments

Loans and other financial instruments are stated in the balance sheet at the amount of net proceeds. Financial costs relating to new loans are deducted from the loan and amortised over the term of the loan at a constant rate on the carrying value.

Financial costs relating to the renegotiation of existing facilities are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

2. Turnover, operating costs and operating surplus

Income	2009 £'000	2008 £'000
Management fees	1,614	1,138
Ground rents	144	160
Administration fees	117	187
Recharges	14	(2)
Other	301	462
	<u>2,190</u>	<u>1,945</u>
Operating Costs:		
Staff costs	(1,129)	(1,201)
Group costs	(486)	(475)
Office overheads	(287)	(244)
Other	(201)	(195)
	<u>(2,103)</u>	<u>(2,115)</u>
Operating Surplus/(Deficit)	<u>87</u>	<u>(170)</u>

3. Directors' emoluments

The directors are defined for the purpose of emoluments as the chief executive, any person with the title of director and any person reporting directly to the chief executive or directly to the Board.

The emoluments were as follows:

	2009 £'000	2008 £'000
Emoluments (including compensation for loss of office and benefits in kind)		
Non Executive Directors	9	12
Executive Directors	127	139
Pension contributions - in respect of services as directors	9	3
	<u>145</u>	<u>154</u>
	2009 £'000	2008 £'000
Highest paid director	<u>71</u>	85
Pension contributions of the highest paid director	<u>9</u>	-
Expenses reimbursed to directors not chargeable to United Kingdom income tax	<u>3</u>	7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

4. Employee information

The average monthly number of persons including executive directors employed during the year was:

	2009 No.	2008 No.
Full time equivalent	<u>29</u>	<u>32</u>
Staff costs including directors emoluments:	£'000	£'000
Wages and salaries	804	756
Social security costs	84	69
Pension costs (note 15)	88	80
Redundancy costs	<u>-</u>	<u>89</u>
	<u>976</u>	<u>994</u>

5. Surplus/(Deficit) on ordinary activities before taxation

	2009 £'000	2008 £'000
Surplus/(deficit) on ordinary activities before taxation is stated after charging:		
Depreciation on leased assets	7	5
Depreciation on other fixed assets	18	4
Operating lease rentals - Land and Buildings	80	64
Auditors remuneration: in capacity as auditors	8	9

6. Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable	49	49
Write off of cost of loans repaid early	86	-
Re-financing charge	<u>-</u>	<u>9</u>
	<u>135</u>	<u>58</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

7. Taxation

Analysis of charge in period

UK Corporation tax	2009 £'000	2008 £'000
Current tax on income for the period	-	-
Adjustment in respect of prior periods	-	(15)
Tax (credit)/charge on surplus on ordinary activities	-	(15)

Factors affecting the tax charge for the period:

The current tax charge for the period is 28% (2008: 30%), the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £'000	2008 £'000
Surplus/(Deficit) on ordinary activities before tax	24	(151)
Current tax at 28% (2008: 30%)	7	(45)
Tax losses carried forward	(7)	30
Current tax charge for the period	-	(15)

A deferred tax asset of £46,221 (2008 : £53,421), principally related to tax losses carried forward, has not been recognised because of the uncertainty over its recoverability.

8. Tangible fixed assets

Investment Properties freehold and buildings

	2009 £'000	2008 £'000
Valuation at 1 April 2008	7,436	3,360
Additions	58	62
Disposals	(55)	(32)
Revaluation adjustment	811	4,046
At 31 March 2009	8,250	7,436
Historical costs of above properties	2,209	2,152
Gross cost	2,209	2,152
Historic cost net book value	2,209	2,152

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

8. Tangible fixed assets – (continued)

The properties were valued as at 31 March 2009 by Drivers Jonas, Chartered Surveyors, on an open market value basis for commercial properties, as defined in the Royal Institute of Chartered Surveyors' Appraisal and Valuation manual.

The main assumption of the valuation was a capitalised ground rental income at a yield of 6.0% in accordance with evidence of transactions in comparable property. In addition the freeholder covenants to insure buildings, and this is the total sum insured, from which has been determined the commission that a purchaser would be able to retain, and this yield has been capitalised at 20.0% in accordance with Leasehold Valuation Tribunal decisions.

Other fixed assets

	Leasehold Offices £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost /Valuation			
At 1 April 2008	58	98	156
Additions	-	28	28
At 31 March 2009	58	126	184
Depreciation			
At 1 April 2008	(5)	(29)	(34)
Charge for year	(7)	(18)	(25)
At 31 March 2009	(12)	(47)	(59)
Net book value as at 31 March 2009	46	79	125
Net book value as at 31 March 2008	53	69	122

9. Debtors

	2009 £'000	2008 £'000
Trade Debtors	65	185
Amounts owed by managed schemes	539	523
Amounts due to group undertakings	-	3
Other debtors and prepayments	213	43
	817	754

All amounts are due within one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

10. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade Creditors	266	142
Other creditors	3	99
Amount payable to group undertakings	474	62
Other taxation and social security	72	50
Scheme creditors	42	133
Accruals	82	98
Corporation tax	-	2
	<u>939</u>	<u>586</u>

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

	2009 £'000	2008 £'000
Loans from banks	-	1,030
Amounts due to group undertakings	1,030	-
Loan set up cost	-	(85)
	<u>1,030</u>	<u>945</u>
Other creditors	<u>80</u>	<u>-</u>
	<u>1,110</u>	<u>945</u>

	2009 £'000	2008 £'000
Due after more than five years	<u>1,030</u>	<u>1,030</u>
	<u>1,030</u>	<u>1,030</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

12. Share Capital and movement on shareholders' funds

	2009	2008
	£	£
Allotted, issued and fully paid		
At beginning of year	10	10
Additions in the year	-	1
Redeemed in year	-	(1)
	<u>10</u>	<u>(1)</u>
At the end of the year	<u><u>10</u></u>	<u><u>10</u></u>

The shares of Grange Management (Southern) Limited carry no rights to a dividend, or provision for redemption or a distribution on winding up. The members are entitled to a vote at annual and special meetings of the company.

13. Reserves

	Income and expenditure account £'000	Investment property revaluation reserve £'000	Total £'000
At 1 April 2008	1,476	5,316	6,792
Surplus for the year	24	-	24
Revaluation during the year	-	812	812
Transfer on disposal of properties	23	(23)	-
	<u>1,523</u>	<u>6,105</u>	<u>7,628</u>
Balance at 31 March 2009	<u><u>1,523</u></u>	<u><u>6,105</u></u>	<u><u>7,628</u></u>

14. Commitments

The amounts payable in respect of operating leases are shown below, analysed according to the expiry date of the lease:

	2009	2008
	£'000	£'000
Land and buildings:		
Expiry date:		
Within one year	84	84
Between one and two years	84	84
Between two and five years	252	252
After five years	168	252
	<u>588</u>	<u>672</u>
	<u><u>588</u></u>	<u><u>672</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

15. Pensions

The company participates in three pension schemes. One is a defined benefit final salary pension scheme, the Downland Housing Group Pension and Assurance scheme. The scheme closed to new entrants from 31 August 2002. The second scheme, a defined contribution scheme with Friends Provident, commenced for new entrants with effect from 1 September 2002 and was closed to new entrants from 1 April 2005. The company now offers participation in the Social Housing Pension Scheme, a defined benefit scheme.

Social Housing Pension Scheme ("SHPS")

The company participate in the SHPS a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. It is not possible to analyse the ongoing funding deficit by individual employer because of the nature of SHPS. SHPS is a multi – employer scheme where :

- The assets of the entire SHPS are pooled for investment purposes
- Benefits are paid from the total scheme assets
- The contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience

As a result of this it is not possible to breakdown scheme assets by participating employer and accordingly it is not possible to analyse the on-going funding deficit by individual employer.

Accordingly, because of the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable. The employer contributions over the period were £27,000.

The last formal valuation of the scheme was performed as at 30 September 2008 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the latest valuation date was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 70%. The next full actuarial valuation is expected to be carried out as at 30 September 2011.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Valuation discount rates	
Pre-retirement	7.8
Non pensioner post-retirement	6.2
Pensioner post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

The valuation was carried out using the following demographic assumptions

Mortality pre-retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% per annum

Mortality post-retirement – 90 % S1PA Year of Birth, long cohort projection, minimum improvement 1% per annum

During the accounting period the company paid contributions at the rate of 12.7%. Member contributions were 7.9%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

15. Pensions (continued)

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis, that is 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.

Downland Housing Group Pension & Assurance Scheme

The Company is a member of a larger group pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme

The scheme is subject to a full independent valuation every three years. The last full valuation was as at 31 March 2006 using the projected unit credit method and was updated by a qualified independent actuary as at 31 March 2009 applying the amendment to FRS17. The valuation revealed a shortfall of assets compared to liabilities of £1,584,000.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2009	2008
Discount rate	6.80%	6.90%
Expected return on scheme assets		
Equity	8.20%	7.50%
Bonds	6.80%	6.30%
Other	0.50%	4.80%
Price increase	2.70%	3.60%
Pension increase	2.70%	3..60%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

15. Pensions (continued)

Post-retirement mortality is based on the mortality table known as PMA92 for males and PFA92 for females with projections to calendar year 2030 for non - pensioners and 2020 for existing pensioners.

The assumed life expectations from age 65 are as follows:

Retiring today		
	Males	24.70
	Female	27.70
Retiring in 20 years		
	Males	25.30
	Female	28.20

The contribution for the year was £ 43,000 (2008 :£ 43,000). The company expects to contribute approximately £43,000 for the year starting 1 April 2009.

Friends Provident

This scheme is administered by Friends Provident and is a defined contribution scheme. The employer contribution rate payable by the company per annum is dependent on the contribution by the employee as follows:

Employee Contributes	Employer Contributes
Less than 3%	0%
3% - 4%	6%
5% or more	10%

16. Affinity Sutton Group Limited

The Company's ultimate parent undertaking is Affinity Sutton Group Limited, a company incorporated in Great Britain and registered in England and Wales. Group accounts have been prepared by the ultimate parent undertaking and are available from the registered address as detailed on page 3.

17. Related party transactions

Grange Management (Southern) Limited has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with other members of Affinity Sutton Group Limited.

Grange Management (Southern) Limited

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