



WILLIAM SUTTON HOUSING ASSOCIATION

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



william sutton homes

INDUSTRIAL & PROVIDENT SOCIETY NO. 30203R
CHARITABLE STATUS
HOUSING CORPORATION NO. LH4489

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BOARD, EXECUTIVE AND ADVISORS

Board

Michael Herring (Chairman)
Pam Bardouille
Winifred Dillon
Nick Jones
Ken Shipman (appointed 20 February 2008)
Paul Smith
Christine Wood
Neil McCall (Chief Executive)

Executive Directors

Neil McCall
Julia Coulton
Jeremy Kape
Wendy Pretten
Michelle Reynolds

Company Secretary

Rod Ainsworth

Registered office

12 Elstree Way
Borehamwood
Herts WD6 1JE

Principal Solicitors

Allen & Overy LLP
40 Bank Street
London
E14 5DU

Trowers & Hamblins LLP
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Winckworth Sherwood LLP
35 Great Peter Street
London
SW1P 7BL

BOARD, EXECUTIVE AND ADVISORS (CONTINUED)

Bankers

Barclays Bank plc
11 Bank Court
Hemel Hempstead
Hertfordshire
HP1 1BX

Lloyds TSB plc
105-107 Station Road
Edgware
Middlesex
HA8 7LJ

Auditors

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

REPORT OF THE BOARD

William Sutton Housing Association Limited ("William Sutton") presents its report and audited financial statements for the year ended 31 March 2009.

Operating and Financial Review

Overview

William Sutton is one of the leading providers of affordable housing in England, with over 21,000 homes in ownership and management. It is regulated by the Tenant Services Authority and is charitable. It is a subsidiary of Affinity Sutton Group Limited ("Affinity Sutton"). The other main operating companies in the Group are Broomleigh Housing Association ("Broomleigh") and Downland Housing Association ("Downland").

It operates across England, largely in the North, Midlands, South West, Hertfordshire and North London. The Sutton Trust, William Sutton Homes' predecessor, was created by the 1894 will of William Sutton, a nineteenth century businessman, with the mission to "provide model dwellings and houses for occupation by the poor of London and other populous places in England". It incorporates the former Ridgehill Housing Association ("Ridgehill"). Ridgehill was formed by the transfer of a large proportion of the housing stock of Hertsmere Borough Council in 1994.

William Sutton's primary activity is the provision of affordable homes for people unable to access the property market. Management is undertaken largely on an estate basis with local staff focussed on providing a responsive local service. As well as rented accommodation this includes various forms of low cost home ownership enabling purchasers to buy a share in a property through part-buy/part-rent schemes, and market rent accommodation. Profits from a programme of new build residential property sales on the open market are used to subsidise the provision of affordable homes for rent.

Increasing amounts of money are being invested in a broad range of community initiatives targeting three main areas: tackling "worklessness", financial inclusion and healthy living. As well as direct funding from reserves, William Sutton is working with other Group companies to leverage in funding from other bodies such as Sport England and the European Social Fund.

William Sutton has three subsidiaries: Community Building Services Limited ("CBS"), Aashyana Housing Association Limited ("AHA"), and William Sutton Developments Limited ("WSD"). CBS provides property maintenance services both to William Sutton and third party purchasers; AHA is a small Bristol-based housing association providing homes and services to the black and minority ethnic communities; and WSD undertakes commercial residential property development. (CBS's, AHA's and WSD's results are not consolidated into these financial statements, but into those of William Sutton's parent, Affinity Sutton.)

The Association has adopted a range of key strategies and policies of Affinity Sutton which provide a framework for its operational activities. Its budget and business plan are approved annually by the Board of Affinity Sutton.

Performance in the year

Performance in the year under review is addressed in the financial statements of Affinity Sutton Group Limited.

REPORT OF THE BOARD (CONTINUED)

Approach to Treasury Management

Treasury Management strategy, policy and services are provided by the parent, Affinity Sutton, through its Group Treasury Committee and the Group borrowing vehicle, Affinity Sutton Funding Limited ("ASFL"). ASFL is the main provider of funding to all operating companies in the Group.

Governance

The Board is comprised of seven non-executive Directors and the Chief Executive. The Directors are remunerated. The focus of the Board is to govern the Association, provide accountability, resolve tensions between stakeholders, direct, control and provide strategic direction. Day-to-day performance management is delegated to the Executive Directors.

Specific responsibilities have been delegated to Regional Committees which have their own approved terms of reference. The work of the Board was supported by the Affinity Sutton's Group Audit, Finance and Performance, Treasury and Remuneration Committees.

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 Association, 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable its members to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the information included on the Association'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 Association'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 Association's auditors are aware of that information.

REPORT OF THE BOARD (CONTINUED)

The Association's System of Internal Control

Responsibility

The Board is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist in the Association and its subsidiaries which focus on the significant risks that threaten its 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:

- Corporate governance arrangements.
- Written Group-wide financial regulations and delegated authorities, which were subject to review during the year;
- Policies and procedures for all key areas of the business. These are reviewed periodically to ensure their continued appropriateness. The whole Group also operates a quality review framework that encourages continuous improvement;
- A Group-wide Internal Audit function provided by Affinity Sutton, structured to deliver the Group Audit Committee's three-year risk-based strategic audit plan, quality assurance and value for money. As well as having an in house team, the Group uses the services of professional firms of auditors and other specialists as necessary. All audit reports are reviewed by the Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations. Detailed reports on the Association's activities and those of its subsidiaries are also presented to senior managers so that recommendations for strengthened controls and improvement can be implemented promptly;
- A Group-level Health and Safety function: the Association secured a Royal Society Prevention of Accidents (RoSPA) Gold Award for its management of Health and Safety;
- Management structures providing balance and focus;
- A Group level risk management function, which seeks to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Association. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks;
- Annual budgets and long-term business plans. Throughout the year the Board and managers (either directly or through a Finance and Performance Committee) regularly monitored performance against budgets and other indicators. An important tool in this process has been the Balanced Scorecard which identifies performance against key performance indicators;
- Regulatory requirements and service objectives and ensuring that variances are investigated and acted upon;
- An anti-fraud culture which is supported by a policy and procedure for dealing with suspected fraud and whistleblowing. William Sutton participated in the 2008 National Fraud Initiative sponsored by the Audit Commission;

REPORT OF THE BOARD (CONTINUED)

- All housing investment decisions and major commitments were subject to appraisal and approval by an executive level Project Approval Committee and the Board when appropriate, in accordance with the Group's financial regulations; and
- A Group level treasury management function which reports three times a year to the Group Treasury Committee.

The Group Chief Executive and senior managers within the Association have reviewed the internal control and assurance arrangements by reference to checks on the above and a report has been made to the Board on the effectiveness of the control systems. The Board has expressed its satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial accounts.

Going Concern

After reviewing the Association's budget for 2009/10, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that William Sutton Housing Association Limited has adequate resources to continue in operational existence for the foreseeable future.

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.

Michael Herring
Chairman
9 July 2009

REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE MEMBERS OF WILLIAM SUTTON HOUSING ASSOCIATION LIMITED

We have audited the financial statements of William Sutton Association 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 Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an 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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The responsibility of the association'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 6.

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, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the association 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. 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 association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether 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 WILLIAM SUTTON HOUSING ASSOCIATION 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 association 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, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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 Restated £'000
Turnover	2(a)	92,872	83,059
Cost of sales	2 (a)	(7,391)	(1,774)
Operating costs	2(a)	(59,613)	(60,266)
Exceptional cost	2(b) / 6	(167)	-
Operating surplus	2(a)	25,701	21,019
Surplus on disposal of properties	2(a)	724	1,741
Interest receivable and similar income		1,486	373
Interest payable and similar charges	5	(18,653)	(15,897)
Other finance income		321	1,247
Surplus on ordinary activities before taxation	6	9,579	8,483
Gift Aid donation receivable		757	412
Surplus for the year	18	10,336	8,895

All operations are continuing.

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

	Notes	2009 £'000	2008 Restated £'000
Surplus for the financial year	18	10,336	8,895
Actuarial loss on pension schemes	18	(14,453)	(475)
Unrealised surplus on revaluation of properties	18	38,154	28,058
Total recognised surplus for the year		34,037	36,478
Total recognised surplus related to the year (as above)		34,037	
Prior year adjustment relating to a change in shared ownership accounting			
On Income and Expenditure account	22	1,421	
On Revaluation	22	(998)	
Total surplus recognised since the last annual report		34,460	

A prior year adjustment relating to shared ownership (note 22) gave rise to a surplus of £1.4 million, of which £0.4 million relates to 2008 and £ 1.0 million relates to 2007 and previous.

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

	Notes	2009	2008
		£'000	Restated £'000
Reported Surplus on ordinary activities before taxation		10,336	8,895
Realisation of property revaluation surpluses of previous years	18	229	(70)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	18	<u>705</u>	<u>606</u>
Historical cost surplus on ordinary activities before taxation		11,270	9,431
Tax on surplus on ordinary activities	7	-	-
Historical cost surplus for the year after taxation		<u><u>11,270</u></u>	<u><u>9,431</u></u>

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 £'000	2008 Restated £'000
Tangible fixed assets			
Housing property	8	831,423	766,238
Non housing fixed assets	9	10,455	10,115
Total tangible fixed assets		841,878	776,353
Current assets			
Stock	10	6,131	16,348
Debtors - due within one year	11	22,131	10,035
Debtors - due after more than one year	11	3,228	3,232
Other Investments	12	14,269	-
Cash at bank and in hand		20,770	5,815
		66,529	35,430
Creditors: amounts falling due within one year	13	(19,956)	(31,108)
Net current assets		46,573	4,322
Total assets less current liabilities		888,451	780,675
Creditors: amounts falling due after more than one year	14	360,297	300,299
Provision for liabilities and charges	16	16,363	2,622
Capital and reserves			
Share capital	17	-	-
Revaluation Reserve	18	416,251	379,031
Income and Expenditure Account	18	95,540	98,723
		888,451	780,675

The financial statements were approved by the Board and were signed on their behalf by:

Michael Herring
Chairman
9 July 2009

Nick Jones
Board member

Rod Ainsworth
Company Secretary

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

1. Accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice "Accounting by Registered Social Landlords 2008" and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Under FRS1 (revised 1996) the Association is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company which are available to the public.

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

Basis of Preparation

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

CBS's, AHA's and WSD's results are not consolidated into these financial statements, but into those of William Sutton's parent, Affinity Sutton.

Turnover

Rental and service charge income from residential properties is recognised in the Income and Expenditure Account when it falls due. Grants receivable from local authorities in respect of revenue are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

Housing Properties

Completed housing properties are shown on the balance sheet at valuation, with subsequent additions at cost. Full revaluations are carried out annually. The aggregate surplus or deficit on the property revaluation is transferred to a revaluation reserve. On the disposal of properties held at valuation, the amount relating to the revaluation is realised by the transfer of the amount to the Income and Expenditure Account from the Revaluation Reserve.

The cost of properties is their purchase price, together with incidental costs of acquisition and capitalised repairs and improvements.

Housing properties in the course of construction are stated at cost of works, plus directly attributable development staff costs and interest capitalised during the construction of the property. The Association has a land banking policy which may involve the purchase of land or sites without planning consent or grant allocation. Land bank expenditure is stated at cost and classified as 'housing properties in the course of construction'. No attributable development staff costs or interest costs are capitalised on land banking.

First Tranche disclosure

The group has adopted the accounting treatment per the SORP 2008 such that:

- SO properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

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

1. Accounting policies (continued)

Fixed assets investments

Fixed asset investments are stated at the lower of cost and recoverable amount. Dividends are accounted for on receivable basis.

Depreciation

Housing properties are depreciated on a straight line basis over their expected useful economic life at an annual rate of 1% on valuation. Freehold land is not depreciated. No depreciation is provided on housing properties in the course of construction.

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

Leasehold office properties	Over period of leases
Freehold offices	Between 2.0% and 2.5%
Office furniture and equipment	Between 5% and 25%
Computer equipment and software	Between 10% and 33%
Motor vehicles owned	Between 25% and 33%

Impairment

For assets with a remaining economic life greater than 40 years an impairment review is carried out on an annual basis in accordance with FRS 11. For those with a lower economic life an impairment review is undertaken when there is an indication the asset may be impaired. An impairment charge is taken to the Income and Expenditure Account when it is assessed that the holding value of a fixed asset is higher than the net realisable value or the value in use, in which case the higher of these two values is taken.

Stock

The cost of stock includes acquisition and development costs together with directly attributable capitalised interest and administration cost. Stock is stated at the lower of cost and net realisable value.

Major Repairs

Major repairs are capitalised to the extent that they are improvements to the property, which lead to a reduction in future repair costs, extend its useful economic life or result in an improvement in the revenue streams through increased rental income. Major repairs are charged to the Income and Expenditure Account as incurred in other circumstances.

No provisions are made for future major repairs as future maintenance expenditure is fully provided in the Housing Association's long term business plan.

Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant receivable.

Although SHG is treated as a grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with (that is, if the properties to which the grant was designated cease to be used for the provision of affordable rental accommodation).

Recycled Capital Grant Fund

The Association has the option to recycle grant "SHG" which would otherwise be repayable, for re-use on new developments. If unused within a three year period, it will be repayable to the Housing Corporation with interest. Any unused recycled capital grant held within the fund, which it is anticipated will not be used within one year, is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

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

1. Accounting policies (continued)

Disposal Proceeds Fund

The Disposal Proceeds Fund arises from the net proceeds of sales funded by Voluntary Purchase Grant and must be used to provide replacement properties. The fund is included within creditors as required by the Accounting Requirements for Registered Social Landlords General Determinations 2006. Any unused balance held within the fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors: amounts falling due after one year". The remainder is disclosed under "creditors: amounts falling due within one year".

Pre – contract Costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance initiative are recognised as expenses as incurred up to the date of the announcement of the preferred bidder. Where the Association is successful in attaining preferred bidder status, those costs that are incurred after attaining preferred bidder status are directly attributable to the contract and are recognised as an asset.

Development Partnerships

On a number of schemes William Sutton Housing Association Limited acts in partnership with other Registered Social Landlords in developing new properties. William Sutton Housing Association Limited is normally responsible for both development of the scheme and its financing. Following completion the agreed number of units are either sold to the partner at cost or transferred under a long lease. Rechargeable work undertaken in the year is included in turnover. Rechargeable work in progress at the year end is included in current assets.

Leases

Where the Association enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future installments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Taxation

The Association is exempt from corporation tax on its charitable activities.

Deferred Tax

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. As at 31 March 2009, discounted deferred tax assets / liabilities are not material and hence no provision is made.

Value Added Tax

The Association's Value Added Tax (VAT) affairs are dealt with under a group registration in the name of The Affinity Sutton Group Limited. The Association recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT with non attributable tax recovered being credited against management expenses.

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

1. Accounting policies (continued)

Pension Costs

The Association participates in three defined pension schemes, the Social Housing Pension Scheme, the William Sutton Trust Final Salary Scheme, and the Hertfordshire County Council Pension Fund, providing benefits based on final pensionable pay.

Contributions to pension schemes are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the income and expenditure account over the periods during which the Association benefits from the employees' services. Lump sum payments have been made to reduce the deficit on the schemes closed to new entrants.

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. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Designated Reserve

The designated reserve represents funds donated to the Association which are earmarked for specific activities not normally supported by the Association.

Housing 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 charged to the Income and Expenditure Account as they are incurred.

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

2. Turnover, cost of sales, operating costs and operating surplus

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

	2009			Operating surplus/ (deficit) £'000	Restated 2008	
	Turnover £'000	Cost of sales £'000	Operating costs £'000		Turnover £'000	Operating surplus (deficit) £'000
Social housing activities						
Income and expenditure from social housing lettings	82,049	-	(57,135)	24,914	77,722	20,181
Other income and expenditure	987	-	(1,729)	(742)	1,059	(823)
Total	83,036	-	(58,864)	24,172	78,781	19,358
Other social housing activities						
Supporting people contract income	118	-	(131)	(13)	117	-
Other Services	236	-	(104)	132	186	(27)
Total	354	-	(235)	119	303	(27)
Development for sale						
Shared ownership first tranche sales	7,396	(7,391)	-	5	2,129	355
Total	7,396	(7,391)	-	5	2,129	355
Total social and other housing activity	90,786	(7,391)	(59,099)	24,296	81,213	19,686
Non social housing activity						
Income relating to commercial tenancies	2,086	-	(681)	1,405	1,846	1,333
Total Social and Non Social Housing	92,872	(7,391)	(59,780)	25,701	83,059	21,019
Net surplus from disposals	8,739	(8,015)	-	724	4,863	1,741
Interest receivable				1,486		373
Interest payable				(18,653)		(15,897)
Other financial cost				321		1,247
Surplus on ordinary activities before taxation				9,579		8,483

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

2. Turnover, cost of sales, operating costs and operating surplus

b. Particulars of income and expenditure from social housing lettings

	General Needs Housing	Supported Housing	Shared Ownership Accommodation	Leasehold	Total 2009 £'000	Total 2008 £'000
	£'000	£'000	£'000	£'000	£'000	£'000
Rent	67,517	8,151	867	-	76,535	72,461
Charges for Support Services	-	1,276	-	-	1,276	1,449
Service charges	3,718	448	48	440	4,654	4,324
Garage rents	357	-	-	-	357	353
Gross rents receivable	71,592	9,875	915	440	82,822	78,587
Rent losses from voids	(1,513)	(169)	-	-	(1,682)	(1,425)
Net rents receivable	70,079	9,706	915	440	81,140	77,162
Revenue grants	-	378	91	-	469	392
Other Income	440	-	-	-	440	168
Total income from social housing lettings	70,519	10,084	1,006	440	82,049	77,722
Expenditure on social housing letting activities						
Services	(6,243)	(799)	(142)	(327)	(7,511)	(6,802)
Management	(14,397)	(1,765)	(313)	(114)	(16,589)	(16,299)
Routine maintenance	(17,049)	(2,030)	-	-	(19,079)	(16,229)
Rent losses from bad debts	(1,228)	(146)	-	-	(1,374)	(893)
Major repairs expenditure	(9,236)	(1,100)	-	-	(10,336)	(15,345)
Development	(886)	-	-	-	(886)	(883)
Depreciation on Housing Properties	(1,031)	(138)	(24)	-	(1,193)	(1,090)
Impairment of housing properties	(160)	(7)	-	-	(167)	
Operating Costs on social housing lettings	(50,230)	(5,985)	(479)	(441)	(57,135)	(57,541)
Operating surplus on social housing letting activities	20,289	4,099	527	(1)	24,914	20,181

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

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	2008
	£'000	£'000
Emoluments (including compensation for loss of office and benefits in kind)		
Non Executive Directors	33	45
Executive Directors	481	681
Pension contributions - in respect of services as directors	73	66
	<u>587</u>	<u>792</u>
	2009	2008
	£	£
Highest paid Director	<u>155,757</u>	<u>112,197</u>
Pension contributions of the highest paid director	<u>17,242</u>	<u>15,601</u>
	£	£
Expenses reimbursed to directors not chargeable to United Kingdom income tax	<u>3,761</u>	<u>5,001</u>

NOTES ON 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 Number	2008 Number
Full time equivalent	<u>376</u>	<u>481</u>

Staff Costs:	2009 £'000	2008 £'000
Wages and salaries	10,408	10,554
Social security costs	674	740
Pension costs (Note 23)	<u>1,532</u>	<u>1,569</u>
	<u>12,614</u>	<u>12,863</u>

5. Interest payable and similar charges

	2009 £'000	2008 £'000
Interest on loans and overdrafts	5,968	16,613
Interest on intercompany loans	13,855	-
Other charges	<u>69</u>	<u>719</u>
	19,892	17,332
Less: interest capitalised	<u>(1,239)</u>	<u>(1,435)</u>
	<u>18,653</u>	<u>15,897</u>

6. Surplus on ordinary activities before taxation

	2009 £'000	2008 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	1,905	1,827
Impairment	167	-
Operating lease rentals – Land and Buildings	608	190
Auditors remuneration:		
In capacity as auditors	52	58
In respect of other services	10	-
Other revenue grants	<u>(469)</u>	<u>(392)</u>

NOTES ON 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	-	3
Adjustment in respect of prior periods	-	(3)
Total current tax charge	<u>-</u>	<u>-</u>
Tax charge on surplus on ordinary activities	<u>-</u>	<u>-</u>

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.

Current tax reconciliation	2009 £'000	2008 Restated £'000
Profit on ordinary activities before tax	<u>9,579</u>	<u>8,483</u>
Current tax at 28% (2008: 30%)	2,682	2,545
<i>Effects of:</i>		
Adjustment in respect of prior period	-	-
Charitable surpluses not taxed	<u>(2,682)</u>	<u>(2,545)</u>
Total Current tax charge (see above)	<u>-</u>	<u>-</u>

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

8. Tangible fixed assets

Housing Property

	Housing Properties	Shared Ownership Properties	Housing Properties in the course of construction	Shared Ownership Properties in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost/Valuation					
At 1 April 2008	990,674	23,717	39,457	19,366	1,073,214
Surplus on prior year SO sales	-	1,421	-	-	1,421
Adjustment on unsold units	-	(6,139)	-	-	(6,139)
Adjustment to current assets	-	-	-	(10,209)	(10,209)
Revaluation	-	(998)	-	-	(998)
Restated cost as at 1 April 2008	990,674	18,001	39,457	9,157	1,057,289
Additions	3,920	-	35,454	8,735	48,109
Schemes completed	42,905	7,064	(42,905)	(7,064)	-
Disposals	(533)	(209)	-	-	(742)
Revaluation	40,801	(3,840)	-	-	36,961
At 31 March 2009	1,077,767	21,016	32,006	10,828	1,141,617
Social Housing Grant					
At 1 April 2008	(279,759)	(1,161)	(9,928)	(203)	(291,051)
Transferred to Other Grant	6,500	-	302	-	6,802
Restated SHG at 1 April 2008	(273,259)	(1,161)	(9,626)	(203)	(284,249)
Received in year	-	-	(17,776)	(507)	(18,283)
Grant Capitalised	(14,869)	(675)	14,869	675	-
Eliminated on disposal	140	-	-	-	140
At 31 March 2009	(287,988)	(1,836)	(12,533)	(35)	(302,392)
Other Grants					
At 1 April 2008	(6,500)	-	(302)	-	(6,802)
Received in year	-	-	(1,000)	-	(1,000)
Grant Capitalised	(1,261)	-	1,261	-	-
Eliminated on disposal	-	-	-	-	-
At 31 March 2009	(7,761)	-	(41)	-	(7,802)
Depreciation					
At 1 April 2008	-	-	-	-	-
Charge for year	(1,167)	(26)	-	-	(1,193)
Revaluation	1,167	26	-	-	1,193
At 31 March 2009	-	-	-	-	-
Net book value at 31 March 2009	782,018	19,180	19,432	10,793	831,423
Restated Net book value at 31 March 2008	710,915	16,840	34,405	4,078	766,238

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

8. Tangible fixed assets – Housing Property (continued)

Net book value of housing assets
at 31 March 2009 is represented by:

	Housing Properties	Shared Ownership Properties	Housing Properties in the course of construction	Shared Ownership Properties in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Gross cost	652,770	17,219	32,006	10,828	712,823
Social Housing Grant	(287,988)	(1,836)	(12,533)	(35)	(302,392)
Other Grant	(7,761)	-	(41)	-	(7,802)
Revaluation Surplus	424,997	3,797	-	-	428,794
At 31 March 2009	782,018	19,180	19,432	10,793	831,423

	2009	2008 Restated
	£'000	£'000
Housing Properties comprise		
Freeholds	795,446	730,261
Long Leaseholds	35,977	35,977
	831,423	766,238

Development and major works additions and improvements to housing properties during the year include capitalised interest of £1.2million (2008: £1.4million) and capitalised administration costs of £1.0million (2008: £0.9million).

The historic cost of completed properties at the end of the year was £401.0 million (2008: £354.2 million).

Total expenditure on works to existing properties was £14.2 million (2008: £23.3 million) of which £ 3.9 million (2008: £8.0 million) has been capitalised.

A valuation was carried out as at 31 March 2009 by Drivers Jonas, the Group's professional external valuer. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Model. The valuation method discounts the cashflow from rental income less management and repairs expenditure to their present value using a discount rate. The discount rates applied to rental income range from 5.25% to 8.00%, but 5.50% has been applied to the core rental stock. The rental income growth assumption is in line with the Group's rent plan to meet target rents by 2012 under the rent restructuring regime and thereafter assumes growth of +0.5% above inflation per annum.

Drivers Jonas has also reviewed and reported on an appropriate residual land value for the Group's housing stock, which in turn determines the annual housing property depreciation charge. The specific residual land value is estimated at 85% by Drivers Jonas (2008: 85%).

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

9. Non-housing fixed assets

	Freehold Offices £000	Office Equipment & Cars £000	Total £000
Cost			
At 1 April 2008	9,931	11,634	21,565
Additions	578	474	1,052
At 31 March 2009	10,509	12,108	22,617
Depreciation			
At 1 April 2008	(2,331)	(9,119)	(11,450)
Charge for year	(311)	(401)	(712)
At 31 March 2009	(2,642)	(9,520)	(12,162)
Net book value at 31 March 2009	7,867	2,588	10,455
Net book value at 31 March 2008	7,600	2,515	10,115

10. Stock

	2009 £'000	2008 Restated £'000
Stock		
Properties in construction	4,361	10,209
Completed properties	1,770	6,139
Total stock	6,131	16,348

11. Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year		
Rents and service charge	6,429	6,160
Provision for bad debts	(2,697)	(1,695)
	3,732	4,465
Social Housing Grant receivable	1,709	1,318
Amounts receivable from group undertakings	15,485	2,559
Other debtors and prepayments	1,205	1,693
	22,131	10,035
Amounts falling due after one year		
Employee loans	-	4
Amounts receivable from group undertakings	3,228	3,228
	3,228	3,232

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

12. Investments

	2009 £'000	2008 £'000
Other Investments		
Amounts held on deposits in respect of derivative transaction	4,605	-
Treasury Bills	9,664	-
	<u>14,269</u>	<u>-</u>

At the 31st March 2009 the Association held an aggregate investment in short dated UK Treasury Bills of £9.7 million. The investment matures on the 27th April 2009 returning £9.7 million. Net of fees paid on placement on the 17th November 2008 this represented an interest rate of 1.80%.

Due to movements in long term interest rates the Association's standalone derivative transactions, which hedge interest rate exposure, were subject to collateral calls from various counterparties to offset their exposure to the Group. At the 31st March 2009 £4.6 million of these calls were met by cash transferred to a counter party by the Group. Interest was payable to the Group on the deposit at a rate of 0.25%.

13. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank Overdraft	1,273	3,278
Trade creditors	171	487
Recycled Capital Grant (see note 15)	-	378
Disposal Proceeds Fund	4,509	7,405
Amounts due to subsidiary undertakings	2,207	385
Other taxation and social security	6	9
Accruals and deferred income	9,872	18,246
Other Creditors	938	98
Housing loans (see note 14)	980	822
	<u>19,956</u>	<u>31,108</u>

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

	2009 £'000	2008 £'000
Housing loans		
External funder	11,363	-
Affinity Sutton Funding Limited	348,277	298,315
	<u>359,640</u>	<u>298,315</u>
Loan set up costs	(1,749)	(779)
Total Housing loans	357,891	297,536
Disposal Proceeds Fund	2,249	2,143
Recycled Capital Grant Fund	157	620
	<u>360,297</u>	<u>300,299</u>
Housing loans	2009	2008
Repayable, otherwise than by instalments as follows:	£'000	£'000
Between one and two years	1,052	977
Between two and five years	3,683	7,313
In five years or more	354,905	290,025
	<u>359,640</u>	<u>298,315</u>

Included in net housing loans is an amount of £1.7 million (2008: £0.8 million) of capitalised and amortised set up costs.

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

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

Since 4th July 2008 the Association has had access to all loan facilities from Affinity Sutton Funding Limited (shared with Broomleigh Housing Association Limited and Downland Housing Association Limited) which currently provides a total of £1,263 million including funding from five banks and a £250 million 2038 fixed rate bond. These facilities are additional to £11.4 million facilities which the Association has in its own name.

Drawn Funding – Interest Rate Management

William Sutton Housing Association's exposure to floating interest rates is managed at two levels.

- First, the Association receives the vast majority of its funding from Affinity Sutton Funding Limited (ASFL). ASFL in turn engages in interest rate hedging, both through embedded fixes and through stand-alone derivatives. The economic cost and benefits associated with this hedging are passed on to William Sutton Housing Association in the blended funding rate charged by ASFL. At the end of the 2008/09 financial year, ASFL's funding was 82.6% fixed rate, 12.1% floating rate, and 5.4% index/inflation linked when adjusted to reflect the impact of ASFL's hedging activities.
- Second, the Association also has £11.4 million of fixed rate funding and £24.4 million of market swaps in its own name.

15. Analysis of Movement on Funds

Recycled Capital Grant Fund	2009	2008
	£'000	£'000
At 1 April	998	1,554
Grants Recycled	140	256
Interest Accrued	7	64
Utilisation of fund	(988)	(876)
At 31 March	<u>157</u>	<u>998</u>

Disposal Proceeds Fund	2009	2008
	£000	£000
At 1 April	9,548	9,900
Grants Recycled	178	990
Interest Accrued	343	556
Utilisation of fund	(3,311)	(1,898)
At 31 March	<u>6,758</u>	<u>9,548</u>

16. Provision for liabilities and charges

Pension Liability	2009	2008
	£'000	£'000
William Sutton Trust Final Salary Scheme (note 23)	12,400	100
Hertfordshire County Council Pension Fund (note 23)	3,963	2,522
	<u>16,363</u>	<u>2,622</u>

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

17. Share Capital

	2009	2008
	£	£
Shares of £1 allotted, issued and fully paid		
At beginning of year	42	29
Net movement during the year	-	13
At the end of the year	42	42

These shares carry no dividend rights. Each member has the right to vote at members' meetings.

18. Reserves

	Revaluation reserve	Income and expenditure account	Total
	£'000	£'000	£'000
At 1 April 2008	380,029	97,302	477,331
Surplus on shared ownership first tranche sales	-	1,421	1,421
Revaluation	(998)	-	(998)
At 1 April restated	379,031	98,723	477,754
Surplus for the year	-	10,336	10,336
Stock revaluation March 2009	38,154	-	38,154
Transfer for disposal of properties	(229)	229	-
Transfer for depreciation relating to revaluation	(705)	705	-
Actuarial loss on pension scheme liability	-	(14,453)	(14,453)
At 31 March 2009	416,251	95,540	511,791

The 1 April 2008 and 31 March 2009 Income and Expenditure balance includes a Designated Reserve balance of £223,000.

19. Capital commitments

	2009	2008
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	72,215	66,907
Capital expenditure authorised by the Board not contracted for	59,974	77,531

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

20. Commitments under operating leases

As at 31 March 2009 William Sutton Housing Association had annual commitments under operating leases as set out below:

	2009	2008
	£'000	£'000
Land and buildings		
Expiry date		
Less than one year	89	-
Between one and five years	40	89
Over five years	447	447
	<u>576</u>	<u>536</u>
Plant and machinery		
Expiry date		
Less than one year	27	7
Between one and five years	160	206
	<u>187</u>	<u>213</u>
Total	<u>763</u>	<u>749</u>

21. Accommodation in management

Number of units	Supported	General Needs Housing	Shared Ownership	Leasehold	Student	Keyworker	Total
At 1 April 2008	2,061	17,969	361	558	55	13	21,017
Movement in the year	107	179	57	(2)	-	(5)	336
At 31 March 2009	2,168	18,148	418	556	55	8	21,353

	2009	2008
	Units	Units
Owned and managed	21,278	20,962
Managed on behalf of others	75	55
Managed by others	584	528

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

22. Prior year adjustment

The prior year adjustment reflects a change in the accounting for shared ownership first tranche sales. Under the SORP for Registered Social landlords 2005 shared ownership sales of property was treated as follows:

- All shared ownership (SO) properties were classified as fixed assets
- Proceeds from first tranche disposals credited against the cost of SO properties, and
- Surplus/deficit on second and subsequent tranche SO sales were accounted for in the Income & Expenditure Accounts as differences between the net sale proceeds and the carrying value.

Changes to this accounting treatment are outlined in the revised SORP 2008 such that:

- SO properties are split proportionally between current and fixed assets based on the first tranche proportion
- First tranche proportions must be accounted for as a current assets and the related sales proceeds shown in turnover and,
- The remaining element of the SO property must be accounted for as a fixed assets so that any subsequent sale is treated as a part disposal of a fixed assets.

William Sutton Housing Association has adopted the accounting treatment and is satisfied that related calculations are comprehensive and that the calculation of cost is consistent and fair for each sales unit. The cross subsidy calculations are also a fair reflection and are similar to the EUV SH per unit in the yearend valuation.

The effect of the adoption of SORP 2008 is stated below.

Balance sheet

(a) Completed Shared Ownership housing properties

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Completed fixed asset shared ownership housing properties as at 1 April as previously stated (note 8)	11,200		23,717
Add: accumulated first tranche sales from prior years	2,809	2,129	4,938
Less: accumulative cost of first tranche sales	(1,743)	(1,774)	(3,517)
Accumulated first tranche surplus from prior year	1,066	355	1,421
Less: first tranche amounts held in stock			(6,139)
Total prior year adjustment before revaluation	1,066	355	(4,718)
Less Revaluation	-	-	(998)
Total prior year adjustment	1,066	355	(5,716)
Completed fixed asset shared ownership housing properties as at 1 April as restated (note 8)	<u>12,266</u>		<u>18,001</u>

(b) Shared Ownership housing properties under construction

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Shared Ownership housing properties under construction as at 1 April as previously stated (note 8)	14,081		19,366
Less: Transfer to current assets representing cost of Shared Ownership schemes under construction attributable to the making of first tranche sales	(7,242)	(2,967)	(10,209)
Shared Ownership housing properties under construction as at 1 April as restated (note 8)	<u>6,839</u>		<u>9,157</u>

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

22. Prior year adjustment - continued

Current Assets

(c) Development properties

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Development properties as at 1 April as previously stated	-		-
Add: Transfers from fixed assets housing properties (note 8)			
Buildings - completed	-	6,139	6,139
Buildings - under construction	7,242	2,967	10,209
	<u>7,242</u>	<u>9,106</u>	<u>16,348</u>

Reserves

(d) Income and expenditure account

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Opening accumulated surplus	88,701		97,302
Surplus on first tranche shared ownership sales (note 2a)	1,066	355	1,421
Total prior year adjustment to accumulated surplus	1,066	355	1,421
	<u>89,767</u>		<u>98,723</u>

(e) Revaluation reserve

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Opening accumulated surplus	351,509		380,029
Revaluation adjustment	-	(998)	(998)
Income and expenditure reserves	<u>351,509</u>		<u>379,031</u>

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

22. Prior year adjustment - continued

(f) Shared Ownership first tranche sales (note 2a)

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Turnover - proceeds of first tranche sales	2,809	2,129	4,938
Cost of sales	(1,743)	(1,774)	(3,517)
Amounts previously capitalised transferred to cost of sales			-
Surplus (Note 2a)	<u>1,066</u>	<u>355</u>	<u>1,421</u>

The adoption of this policy has resulted in an increase in the association's turnover of £4,938,000 and increase in cost of sales of £3,517,000. The association's surplus has increased by £1,421,000. The profit for the financial year ended 31 March 2009 is £5,000 higher than would have been the case had SORP 2008 not been adopted during the year.

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

23. Pensions

The details of the individual schemes to which the Association employees belong are as follows:

The Social Housing Pension Scheme ('SHPS')

General

The Association participates in 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 £626,459.

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	
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 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.

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

23. Pensions (continued)

During the accounting period the Association paid contributions at the rate of 14.1%. Member contributions varied between 2.9% and 8.4% depending on age.

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 buyout 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 buyout market. The amounts of debt can therefore be volatile over time.

The William Sutton Trust Final Salary Scheme ("the scheme")

The scheme is a defined benefit funded pension scheme and is closed to new entrants. The current service cost under the projected unit credit method is therefore expected to increase as the membership ages. The most recent actuarial valuation was as at 30 September 2006.

The scheme assets do not include investments issued by the sponsoring company or any property occupied by the sponsoring company.

The overall expected rate of return on the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The association expects to contribute approximately £1.0m for the year starting 1 April 2009. The current arrangement as regards to contribution levels are described in the Schedule of Contributions dated 18 December 2007. The employer contribution shown above includes an allowance for the cost of administration expenses and PPF levies.

The scheme holds quoted securities and these have been valued at bid price. The corresponding amounts from previous years are not bid prices and have not been re-stated except as noted.

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

23. Pensions (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possibilities which, because of the time scale covered, might not necessarily be borne out in practice.

	2009	2008
	£000	£000
Present value of defined benefit obligations	54,400	57,700
Fair value of scheme assets	42,000	57,600
Net liability in balance sheet	12,400	100
Movements in present value of defined benefit obligation	2009	2008
	£000	£000
At 1 April 2008	57,700	62,900
Current service cost	1,000	1,200
Interest on obligation	3,900	3,400
Actuarial gains	(5,400)	(7,200)
Estimated benefits paid (net of transfers in)	(2,800)	(2,600)
At 31 March 2009	54,400	57,700
Movements in fair value of scheme assets	2009	2008
	£000	£000
At 1 April 2008	57,600	62,400
Expected return on scheme assets	4,300	4,600
Actuarial losses	(18,100)	(8,000)
Contributions by employer	1,000	1,200
Estimated benefits paid (net of transfers in)	(2,800)	(2,600)
At 31 March 2009	42,000	57,600
Expenses recognised in the income and expenditure account	2009	2008
	£000	£000
Current service cost	1,000	1,200
Interest on obligation	3,900	3,400
Expected return in scheme assets	(4,300)	(4,600)
Total	600	-
The expense is recognised in the following line items in the income and expenditure account:	2009	2008
	£000	£000
Operating costs	1,000	1,200
Other finance cost	(400)	(1,200)
	600	-

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial losses is £12,700,000 (2008: £800,000).

The cumulative actuarial loss reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included under paragraph 96 of FRS 17, is £12,700,000.

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

23. Pensions (continued)

History of scheme

The history of the scheme for the current and prior periods is as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	54,400	57,700	62,900	61,400	50,800
Fair value of scheme assets	42,000	57,600	62,400	59,700	48,300
Deficit	12,400	100	500	1,700	2,500

FRS 17.95C allows William Sutton Housing Association not to re-state the corresponding amounts for the first two of the previous four accounting periods for the effect of using the current bid-price rather than the mid-market price. The association has taken advantage of this exemption.

Experience adjustments

	2009 %	2008 %	2007 %	2006 %	2005 %
Experience losses/(gains) as % of scheme liabilities	(1.84)	0.00	1.27	(0.49)	(0.20)
Experience gains/(losses) as % of scheme assets	(43.10)	(13.89)	0.0	14.24	3.73

The fair value of the scheme assets was as follows:

	2009 £000	2008 £000
Equities and property	35,100	46,600
Bonds	6,600	10,700
Other	300	300
	42,000	57,600

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

	2009	2008
Discount rate	6.70%	6.90%
Expected return on plan assets		
Equities and property	8.20%	8.00%
Bonds	5.70%	5.50%
Other	0.50%	5.25%
Future salary increases	4.20%	4.40%
Price increases	2.70%	3.60%
Pension increases	2.70%	3.60%

Life expectancy is based on the SAPS All pensioners 'amounts' tables, year of birth projection, Long Cohort with a minimum 1% per annum minimum level of improvement (pensioners and non-pensioners).

The Hertfordshire County Council Pension Fund ("the fund")

Staff who transferred from Hertsmere Borough Council to the former Ridgehill group is members of this fund, which reflects the terms of the Local Government Pension Scheme ("LGPS"). There are 24 contributing members.

The latest actuarial valuation of the fund was carried out as at 31 March 2007 by an independent actuary. The next formal valuation is due as at 31 March 2010. The valuation was under the projected unit credit method.

The association expects to contribute approximately £504,000 for the year starting 1 April 2009.

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

23. Pensions (continued)

In accordance with Financial Reporting Standard 17: Accounting for Retirement Benefits ("FRS 17") the directors of the association has commissioned the scheme actuary to provide the following detailed disclosures and they have relied on the actuary's expertise in this regard. The assumptions used by the actuary are the best estimates chosen from a range of possibilities which, because of the time scale covered, might not necessarily be borne out in practice.

	2009	2008
	£000	£000
Present value of defined benefit obligations	12,906	14,152
Fair value of fund assets	8,943	11,630
Net liability in balance sheet	3,963	2,522
Movements in present value of defined benefit obligation	2009	2008
	£000	£000
At 1 April 2008	14,152	15,338
Current service cost	141	187
Interest on obligation	909	821
Actuarial gains	(1,899)	(1,797)
Estimated benefits paid (net of transfers in)	(533)	(457)
Contributions in respect of unfunded benefits	-	(44)
Past service cost	91	-
Losses on curtailments	-	61
Contributions by fund participants	45	43
At 31 March 2009	12,906	14,152
Movements in fair value of fund assets	2009	2008
	£000	£000
At 1 April 2008	11,630	11,994
Expected return on fund assets	830	868
Actuarial losses	(3,652)	(1,471)
Contributions by employer	623	653
Contributions by fund participants	45	43
Estimated benefits paid (net of transfers in)	(533)	(457)
At 31 March 2009	8,943	11,630
Expenses recognised in the income and expenditure account:	2009	2008
	£000	£000
Current service cost	141	187
Interest on obligation	909	821
Expected return on scheme assets	(830)	(868)
Past service costs	91	-
Losses on curtailments	-	61
	311	201

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

23. Pensions (continued)

The expense is recognised in the following line items in the income and expenditure account:

	2009	2008
	£000	£000
Operating costs	232	248
Other finance cost	79	(47)
	311	201

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial losses is £1,753,000 (2008: £326,000 gain).

The cumulative actuarial gain reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included under paragraph 96 of FRS 17, is £2,806,000.

History of fund

The history of the fund for the current and prior periods is as follows:

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Present value of fund liabilities	12,906	14,152	15,338	15,639	14,096
Fair value of fund assets	8,943	11,630	11,954	11,019	9,346
Deficit	3,963	2,522	3,384	4,620	4,750

Experience adjustments

	2009	2008	2007	2006	2005
	%	%	%	%	%
Experience losses/(gains) as % of scheme liabilities	0.07	4.06	0.00	0.89	(2.41)
Experience gains/(losses) as % of scheme assets	(40.83)	(12.66)	0.20	14.70	2.96

The fair value of the fund assets were as follows:

	2009	2008
	£000	£000
Equities	5,993	8,519
Bonds	1,699	1,527
Property	358	619
Cash	893	965
	8,943	11,630

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

23. Pensions (continued)

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

	2009	2008
Discount rate	6.90%	6.90%
Expected return on plan assets		
Equities	7.00%	7.70%
Bonds	5.40%	5.70%
Property	4.90%	5.70%
Cash	4.00%	4.80%
Future salary increases	4.60%	5.10%
Price increases	3.10%	3.60%
Pension increases	3.10%	3.60%

Life expectancy is based on the PFA92 and PMA92 tables projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Current pensioners	Males	21.40
	Females	24.30
Future pensioners	Males	22.50
	Females	25.40

24. Ultimate Parent Undertaking

The Association's ultimate parent undertaking is Affinity Sutton Group Limited, an association incorporated in Great Britain and regulated in England and Wales. Group accounts have been prepared by the ultimate parent undertaking and are available from the registered address.

25. Subsidiary Undertakings

Name	Legislative Provisions	Proportion of voting rights of ordinary share capital held	Nature of Business
Aashyana Housing Association Limited	Industrial and Provident Societies Act 1965	Nil- Managed on a unified basis	Registered Social Landlord
Community Building Services (CBS) Ltd	Companies Act 1985	100%	Building Services
William Sutton Developments Ltd	Private company limited by shares	100%	Land owning vehicle

26. FRS 8 Related Party Transactions

Tenants who are members of the Board have tenancies which are on normal commercial terms, and as such their position does not afford them any additional benefits over other tenants.

**William Sutton Housing Association Limited
trading as William Sutton Homes**

Registered office:
12 Elstree Way
Borehamwood
Hertfordshire WD6 1JE
Tel: 0845 217 8601

www.williamsutton.org.uk