

**FAIRLAKE PROPERTIES LIMITED**

**fairlake**

**BOARD & GOVERNANCE REPORT AND  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2009**

**FAIRLAKE PROPERTIES LIMITED  
BOARD & GOVERNANCE REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2009**

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**FAIRLAKE PROPERTIES LIMITED  
BOARD & GOVERNANCE REPORT  
YEAR ENDED 31 MARCH 2009**

The Board is pleased to present its report and the audited financial statements of Fairlake Properties Limited ("the Company") for the year ended 31 March 2009.

The Company is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord with the Welsh Assembly Government ("WAG").

**The Seren Group**

The Group comprises Seren (the parent company), Charter, Fairlake, Gwent Homes (a subsidiary of Fairlake), Pen yr Enfys, REACH and Solas. All Group Members are 'not for profit' organisations governed by voluntary Boards. With the exception of Pen yr Enfys which is a Registered Charity, Group Members are registered as Industrial and Provident Societies and as Registered Social Landlords ("RSL's") with the Welsh Assembly Government ("WAG"). Gwent Homes is the only Group Member with non-charitable rules, allowing a range of activities to be undertaken by the Group. Gwent Homes makes Gift Aid payments to Group Members. The majority of staff are employed on joint contracts of employment, enabling them to work for any member of the Group as required.

Charter, Fairlake, Pen yr Enfys, REACH and Solas are subsidiaries of Seren by virtue of Seren's control of the Boards, achieved through its ability to appoint and remove a majority of the members to each Board. Members of the Board of Fairlake also make up the Board of Gwent Homes so that those companies are under common control.

All subsidiaries have the right to nominate two members to the Board of Seren, other than Pen yr Enfys (which has the right to nominate one member) and Gwent Homes. The Board of Seren also includes independent members, and the rules stipulate that the Board should seek to maintain a ratio of two nominated members to every one independent member.

Each Group Member has its own Board and Corporate Director. The Group Chief Executive and Corporate Directors form the Executive Team, which manages the day to day affairs of the Group.

**Principal Activities**

Seren Group's purpose is to provide housing and support which makes a positive difference to people's lives. The Group operates predominately in South East Wales.

The principal activities of the Company are managing the development of new housing on behalf of the Group, the low cost home ownership portfolio, strategic asset management, other property transactions, keyworker accommodation and the Newport Care & Repair Agency.

**Statement of Board's Responsibilities**

The Board is responsible for preparing the Board and Governance Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the surplus or deficit for the period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP 2008) 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 Company will continue in business.

**FAIRLAKE PROPERTIES LIMITED  
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**Responsibilities of the Board of Management - continued**

The Board are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales General Determination 2000. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and

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

**Disclosure of information to auditors**

The Board Members who held office at the date of approval of this Board and Governance report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Board Member has taken all the steps that they ought to have taken as a Board Member to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Board and Governance Structure**

The activities of the Company are overseen by the Board. Other Group Member Boards oversee the activities of those companies. An Intercompany Agreement is in place which identifies the respective rights and responsibilities of each member of the Seren Group. The Group Corporate Governance Committee considers continuous improvement and the findings of internal and external audit reports. It addresses issues of governance, value for money, treasury management and special audits, and monitors the appointment, and performance, of external

The Nominations & Remuneration Committee meets as required to identify and interview new Board Members, making its recommendations to the appropriate Board. It also meets to consider remuneration packages for the Executive Team, having taken into account performance, responsibilities, market levels, and ability to pay. Executive Team members do not receive incremental uplifts or share options, nor do they hold any interest in the share capital of the Group. Executive Team members receive a salary enhancement to cover the cost of personal provision of a

Executive Team members are entitled to the same pension arrangements as the majority of other staff.

**Employment**

The Seren Group is a major employer in South East Wales and now employs approximately 800 people. Details of the staff employed by the Company are set out in note 4.

The Group has a consultation forum, Viewpoint, which represents the entire Group's staff. The Group recognises UNISON as the union representing the interests of the majority of Group staff in discussions on Conditions of Service.

The Group actively invests in training and staff learning and development for all staff; reflected in its Investor in People status which was successfully reassessed in November 2008. Charter's estate management team is accredited with ISO 9002, and an NVQ training program is active in REACH. The Group's senior and middle management staff have completed leadership and management development programmes aimed at developing their management skills.

**Equal Opportunities**

The Group is committed to equal opportunities in employment and the provision of services, and aims to achieve a staff profile which reflects the wider communities in which it works. It is also the Group's policy to employ, to the best of its abilities within the opportunities available, people with disabilities. As part of a 'Positive About Disabled People' commitment the Group undertakes to interview all applicants with disabilities who meet the minimum criteria for the post they are applying for.

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**Equal Opportunities**

Employment initiatives have been established to train housing students from ethnic minority backgrounds, to provide work placements for Solas clients, and also to assist people with learning difficulties to integrate into the wider community.

The Group was instrumental in the formation of 'Space for People', a service set up to assist disabled people with their housing needs, which has been 'hosted' by Charter for the last 3 years. Funding has reduced significantly for this initiative, but Charter continues to support the reduced service.

**Health and Safety**

The Group has an overall Health & Safety Policy in place, supplemented by specific procedures and guidance, and staff are given training on matters of health and safety. The Health & Safety Working Party meets quarterly to consider operational and development issues and to disseminate good practice and learning through the Group. Union appointed Safety Representatives also assist the Group in monitoring working practices. The Group is currently reviewing its approach to health and safety to ensure it continues to reflect best practice.

During the year the Group did not incur any enforcement notices from the Health & Safety Executive or any other Regulatory Authority.

**Customer Involvement**

The Company has a wealth of experience involving prospective tenants and owners in choices about the design of their future homes through consultation and focus groups. Recent examples include agency work on prefab regeneration and Community Living Schemes.

**Performance in the year**

The Company continues to operate its affordable housing scheme with over 1,000 people participating. Changing market conditions have meant the rapid development of new products to satisfy customers' needs. In spite of the difficult operating conditions the Company sold in excess of 60 properties on a low cost home ownership basis. In addition, a similar number of properties were sold to Charter on a shared equity basis and Charter is letting these properties at an intermediate rent level through the 'Charter Options' brand. This is an excellent demonstration of Group Members working together to a common purpose.

The two hospital staff accommodation schemes operated by the Company continue to achieve the targets set by the Group and the NHS trusts.

The Group has been a major recipient of Social Housing Grant in Wales in recent years and in particular in this financial year following the acceleration of Social Housing Grant by the Welsh Assembly Government as a response to the recession. The Group is a member of a consortium, GENUS, with Melin Homes, Monmouthshire Housing Association and Newport Housing Trust. The Company was the development agent for Melin Homes in the construction of their extra care scheme at George Lansbury House, completed in 2008. The Company has also been selected to act as development agent for Newport Housing Trust on two Community Living Schemes.

GENUS achieved all of its combined SHG programme spend in 2008/09, attracting total grant of over £17m. The Group's share of the Social Housing Grant was £10m, relating to Charter Housing schemes. In addition to the main SHG programme, the Assembly made further grant funding available for affordable housing via its Strategic Capital Investment Fund (SCIF). GENUS was allocated £2.3m of SCIF funding which was fully spent. Capital expenditure by the Group during the year was approximately £27m..

The Group has significant development work in progress, including regeneration projects at Ringland and Alway in Newport where the City Council has selected Fairlake as its housing association partner to deliver these schemes in partnership with the private sector. The Group expects to begin work on the Old Town Dock development in Newport during the next financial year. This 101 unit, £16million scheme is being build to level 5 of the Code for Sustainable Homes, which represents a step change in environmental standard from normal design requirements.

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**Performance in the year - continued**

The Group has a recycled grant fund of £2m, including £300,000 held by the Company, mainly arising from low cost home ownership sales. The Group is working with the WAG and local authorities to invest these funds strategically into the communities in which it operates.

The Care & Repair service continues to provide vital support to older homeowners in Newport and will celebrate its 10<sup>th</sup> anniversary early in 2010. The partnership with Newport City Council and Newport Local Health Board continues to prosper helping older people to remain independent in safe, warm and secure homes. Over 2,300 clients were assisted during 2008/9 which included over 250 rapid response adaptations jobs to facilitate timely discharge from hospital. Approximately two-thirds of referrals to the service are for those aged 75 or over. The Agency, directed through its Strategic Business Planning Group, is currently expanding the service by providing a casework presence in the Communities First area of Pillgwenly as a 12 month pilot. It is anticipated that continued funding for this position may be forthcoming as part of the local authority renewal area bid in the near future.

**Prospects for Future Performance**

The Group has a well developed 30 year financial projection, covering each Group Member individually and the Group as a whole. The projection confirms that the Group is well placed financially to deliver on its targets – particularly its growth plans and the target of achieving the Welsh Housing Quality Standard by 2012.

The Group's financial strength allows it to fully partake in current Welsh Assembly Government led initiatives to stimulate the economy and deliver new homes in a difficult economic environment. The Group's low cost home ownership activity has been sustained despite the downturn and the reduction in house prices and the expertise developed in this area makes the Group well placed to take advantage of opportunities for growth when the economy begins to recover.

Rent increases and care and support funding may be affected by the current deflationary environment. The Group is well placed to withstand these pressures and took the difficult decision to implement the Welsh Assembly Government's benchmark rent increase of 5.4% in full, in order to further protect against this risk.

The Group wide Business Approval Team has delegated authority for new business opportunities for the Group. It ensures that the appropriate skills and knowledge are brought to bear when assessing an opportunity, and also ensures a consistent approach to risk assessment. The Business Approval Team works within a clear framework of delegated authority, set by each Group Member Board, and which is reviewed annually.

The Group Asset Management Strategy incorporates all strategic property issues, including delivering the Welsh Housing Quality Standard commitment. The Group has electronic stock condition survey tools and asset management software in order to improve the collection and analysis of this data. Improving the long term environmental sustainability of new and existing properties is a strategic priority for the Group.

The Group continues to strive for continuous improvement. A revised Risk Management Strategy has been approved and each Group Member incorporates strategic and operational risks in its business planning.

**Financial Review**

The Company's surplus for the year is £1,073,000 (2008: £279,000). The revenue results in the financial statements demonstrate the delivery of growth while sustaining operational efficiency.

The Group has revised its approach to treasury management, which balances an ability to respond to market conditions with a risk averse approach to arranging new funding. In view of the difficulties in the lending market this area is now subject to routine monitoring by the Group Corporate Governance Committee. The Group's loan portfolio consists of a mix of fixed rate and variable rate funding, and the Board requires Officers to maintain a proportion of fixed funds between certain limits. The Group also has bond finance which matures in 2019. Interest rate hedging is currently achieved through the portfolio mix. There are no further hedging instruments, including derivatives, in place.

### **Financial Review - continued**

Funds are in place with a number of providers, and currently all loans are placed through Charter. Charter acts as the financing agent for the Group and on-lends to other Group Members, particularly Fairlake, as required. Credit balances are collated centrally to ensure that the Group minimises overall borrowing costs.

The continuing impact of the "credit crunch" is the restricted availability of funds to current and potential home owners with a corresponding national reduction in property values. The Company recognises the risks relating to the self funded element of the long term investment in Home Buy loans. The primary risk relates to loans if the related property is repossessed by the first charge holder. An impairment provision has been made in relation to these investments. No realised losses have been incurred in relation to this activity during the period. Any losses in relation to grant funded assets would be set against the related grant. Consequently the Company is satisfied that there are no impairment issues in relation to these assets.

The Company made no donations to any registered political parties during the year (2008: £nil).

### **Reserves**

The Group has a Reserves Policy, addressing uninsurable risks and the long term maintenance of housing and other property. Details of reserve transfers for the year ended 31 March 2009 are set out in note 17 on page 19.

### **Internal Financial Control**

The Board acknowledges its responsibility for the system of internal financial control, and has taken measures which will provide reasonable, but not absolute assurance against material misstatement or loss. The Board employs experienced and suitably qualified staff to administer the systems and controls and take responsibility for important business functions.

The Board operates to clearly defined Financial Regulations and Standing Orders. It ensures that formal policies, procedures and levels of delegated authority are in place, and requires financial plans and management accounts to be laid before it for regular review. An explanation for any departure from these plans is required together with a proposal for appropriate corrective action.

The Board considers risk in the development of policies; it has also assessed risk in relation to its reserves policy and formulation of internal audit plans. The risk management framework extends into non-financial areas.

Internal audit reports are received directly by the Group Corporate Governance Committee, and contain recommendations from internal auditors on the operation of internal control. Both internal and external audit reports are considered by the Group Corporate Governance Committee with progress reports supplied to the Committee until all corrective action has been completed. Through the above mechanisms, the Board has reviewed the effectiveness of the internal financial control within the accounting period to the date of the signing of the financial statements.

### **Annual General Meeting**

Details of the Annual General Meeting will be confirmed once the arrangements have been finalised.

### **Auditors**

External audit services were last tendered in 2005 and KPMG LLP were appointed by the Board. A resolution to reappoint KPMG LLP as auditors to the Company will be proposed at the Annual General Meeting.

### **Approval of the Report**

The report of the Board was approved on 21 July 2009 and is signed on its behalf by the chair of the meeting.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FAIRLAKE PROPERTIES LIMITED FOR THE YEAR ENDED 31 MARCH 2009**

We have audited the financial statements of Fairlake Properties Limited for the year ended 31 March 2009 which comprise Income and Expenditure account, Balance Sheet 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board 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 pages 1 and 2.

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 2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2000. 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.

In addition to our audit of the financial statements, we have reviewed whether the Board's statement on page 5 reflects the Association's compliance with the Housing for Wales Circular 8/97 ("the Circular") 'Internal financial control and financial reporting', and we report whether the Board has provided the disclosures required by the Circular and whether the statement is not inconsistent with information of which we are aware from our audit of the financial statements.

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 an 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.

We carried out our review of the Association's compliance with the Circular having regard to Bulletin 1995/1 'Disclosures relating to Corporate Governance' issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures nor on the ability of the Association to continue in operational existence.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FAIRLAKE PROPERTIES LIMITED FOR THE YEAR ENDED 31 MARCH 2009 - 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 the Association's affairs as at 31 March 2009 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2000.

With respect to the Board's statement on internal financial controls on page 5 in our opinion the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.



**KPMG LLP**  
Chartered Accountants  
Marlborough House  
Fitzalan Court  
Cardiff  
CF24 0TE

Registered Auditor

6 August 2009

**FAIRLAKE PROPERTIES LIMITED  
INCOME AND EXPENDITURE ACCOUNT  
YEAR ENDED 31 MARCH 2009**

	Notes	2009 £000	2008 £000
Turnover	2 (a)	18,879	8,114
Operating costs	2 (a)	(17,034)	(7,552)
Operating surplus	5	1,845	562
Surplus on disposal of assets	6	25	109
Surplus for the year before interest		1,870	671
Interest receivable and similar income	7(b)	4	6
Interest payable and similar charges	7(a)	(801)	(398)
Surplus on ordinary activities before taxation		1,073	279
Tax on surplus on ordinary activities		-	-
Surplus for the year	17	1,073	279

All activities relate to continuing operations.

No activities have been discontinued in either period of account.

There were no recognised surpluses or deficits other than those included in the income and expenditure account.

There is no difference between the surplus disclosed above and the surplus calculated on a historic cost basis in either period. Accordingly a note of historical cost surpluses and deficits has not been presented.

**FAIRLAKE PROPERTIES LIMITED**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2009**

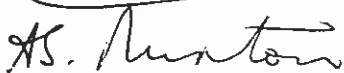
	Notes	2009 £000	2008 £000
<b>Tangible fixed assets</b>			
Housing properties at cost less depreciation	8	4,323	6,334
Social Housing and other grants	9	(1,145)	(2,811)
		<b>3,178</b>	<b>3,523</b>
Fixed asset investments			
Social Housing Grant	10	14,463	9,145
	10	(5,907)	(5,954)
		<b>8,556</b>	<b>3,191</b>
Other fixed assets			
	11	88	103
		<b>11,822</b>	<b>6,817</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	148	203
Properties held for sale	13	4,914	11,037
Cash at bank		151	163
		<b>5,213</b>	<b>11,403</b>
Creditors: amounts falling due within one year	14	(1,700)	(2,208)
<b>Net current assets</b>		<b>3,513</b>	<b>9,195</b>
<b>Total assets less current liabilities</b>		<b>15,335</b>	<b>16,012</b>
Creditors: amounts falling due after more than one year	15	(12,522)	(14,272)
<b>Net assets</b>		<b>2,813</b>	<b>1,740</b>
<b>Capital and reserves</b>			
Non equity share capital	16	-	-
Revenue reserves	17	2,686	1,605
Designated reserve	17	127	135
		<b>2,813</b>	<b>1,740</b>

These financial statements were approved by the Board on 21 July 2009 and were signed on its behalf by:-

Secretary



Board Member



Board Member



The notes on pages 10 to 21 form part of these Financial Statements.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2009**

**1 Accounting Policies**

**a) Introduction and Accounting Basis**

The principal accounting policies of the Company are set out in paragraphs (b) to (n) below. These Financial Statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom and the Statement of Recommended Practice, "Accounting by Registered Social Landlords" 2008 ("2008 SORP") and comply with the Accounting Requirements for Social Landlords Registered in Wales General Determination 2000 except as referred to in (c) below.

**b) Turnover**

Turnover represents rental and service charge income, net of voids, revenue based grants and management charges. It also includes receipts from the sale of properties acquired or developed for resale. Revenue grants are credited to the Income and Expenditure account in the period in which they are receivable. All turnover is derived from United Kingdom operations.

**c) Apportionment of Management Expenses**

Costs are attributed to activities where they can be identified, and are apportioned according to the nature of the expense e.g. office premises costs on a square footage basis, salary related costs on a time basis. Where attribution in this manner is not possible, such costs are apportioned on the basis of usage made by the relevant departments.

Management expenses of overseeing Home Buy investments are allocated against disposal proceeds arising in any accounting period, as an alternative to capitalising such costs and then recognising them on disposal of the related loan. This approach has been adopted to recognise the costs as they are incurred and to ensure that the costs are matched against the related receipts in the Financial Statements.

**d) Bad Debts Provision**

Provision is made for rent loss based on 95% of former tenant arrears and 3% of current tenant arrears. Alternative provisions are made in relation to PFI and Shared Ownership related arrears. For PFI schemes operated by the Group these reflect the holding of deposits to cover any default by tenants. For Shared Ownership, arrears are generally recoverable from the related mortgage if the leaseholder defaults.

**e) Pension Costs**

The Company participates in the Social Housing Final Salary Pension Scheme ("SHPS") with Seren Group Limited as representative member for the Group. Retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme. Payments are made to a fund operated by the Pensions Trust, an independent Trust providing superannuation benefits to employees of voluntary organisations.

These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating member organisations taken as a whole.

The scheme is a defined benefit scheme and as members of the scheme are unable to specifically identify their share of the underlying assets and liabilities these are not incorporated directly into the assets and liabilities reflected in the Financial Statements in accordance with Financial Reporting Standard 17, Retirement Benefits.

Particulars of the scheme are provided in note 19.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2009**

**1 Accounting Policies - continued**

**f) Fixed Assets Housing Properties**

Housing Properties are stated at cost less depreciation. The development cost includes the following:-

- Cost of acquiring land and buildings
- Development Costs
- Interest up to the date of practical completion based on average charges incurred on the loan pool.
- Costs relating to administration

Expenditure on property improvements is only capitalised when as a direct result there will be an enhancement of the economic benefits arising from either the potential for an increased rental income or a reduction in future repair and maintenance costs.

**g) Depreciation**

*Housing properties*

The Company maintains a continual cycle of refurbishment and maintenance during the useful economic life of its properties. The Board has consequently adopted lives of properties for the purpose of depreciation calculation which reflect this investment. Those lives are 100 years for new build properties and 80 years for rehabilitated/re-improved properties. The economic lives are reviewed on an annual basis. Depreciation of properties over these lives is based on net cost after deducting land, the residual value and the proportion of grants received attributable to the depreciable element of the total cost, on a straight line basis.

Properties held on a Shared Ownership basis are maintained by the leaseholder. They are held with a view to re-sale, and the open market value is, in the opinion of the Board, at least equal to net cost. Such properties are, therefore, not depreciated.

Properties held on Private Finance Initiative (PFI) contracts are depreciated over the term of the leases, being either 25 or 30 years.

*Other Fixed Assets*

Other tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated on a straight line basis over the expected useful lives less estimated residual values, as follows:

- Service chargeable assets - 3 to 20 years (corresponding to income)
- Other non-property assets - 3 to 10 years

With the exception of properties held for letting, a full year's depreciation is charged on the Company's assets in the year of acquisition, and no charge is made in the year of disposal. All relevant items over £250 are treated as capital expenditure.

Depreciation on properties held for letting is charged on a pro rata basis for the first and last year of operating the development to ensure that income and expenditure are matched. This is a change from earlier Financial Statements, but the change has had no impact in the current or previous financial years.

**h) Properties developed for sale**

Housing Properties developed, or being developed, for sale under Low Cost Home Ownership arrangements are stated at the lower of cost or net realisable value. Cost includes the following:-

- Cost of acquiring land and buildings
- Development costs
- Interest costs
- Costs relating to administration

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2009**

**1 Accounting Policies - continued**

**i) Social Housing and other Grants**

Social Housing Grant (SHG) is repayable under certain circumstances, primarily following the sale of the related property and would normally be restricted to the net proceeds of sale, after any loan balance outstanding having been redeemed.

Grants are also received from other organisations relating to specific properties, such as PFI. Unless repayable in the event of disposal of the related properties, the grants are amortised to revenue over an appropriate term, such as the period of the related lease.

Since 1998 the Welsh Assembly Government has permitted RSLs to retain the SHG formerly repayable. The SHG which is retained for recycling is available to fund replacement properties, other property related costs such as re-improvements, or for other approved purposes. The recycled grant is repayable to the Welsh Assembly Government if it is not utilised within three years. It is shown as a creditor in the Financial Statements.

**j) Operating leases**

Operating leases are accounted for by making charges to revenue on a straight line basis over the period of the lease.

**k) Creditor payment policy**

The Company aims to settle all supplier accounts in accordance with the relevant terms of business once it is satisfied that the supplier has fulfilled its obligations.

**l) Impairment**

Where it is recognised that there is a diminution in value of any asset, the full reduction in value is written off to the Income and Expenditure Account in the period. An impairment review of the Company's property was undertaken during the year and there was no indication that any impairment to value has occurred. An impairment provision has been made in relation to fixed asset investments as referred to in note 10.

**m) Reserves**

The accumulated revenue reserve is the Board's assessment of reserves required to meet uninsurable risks. The Company establishes reserves for specific purposes where they are earmarked for a particular purpose.

The Company operates a Leasehold Scheme for the Elderly ("LSE") and funds are set aside for major repairs expenditure as a designated reserve.

Where income or grants are received in advance for Care & Repair and other activities provisions are established to ensure that income is accounted for in the correct accounting period. Reserves are established where surpluses on particular activities are intended to be set aside for specific purposes, including addressing expected future deficits. Such reserves are Designated Reserves, except where there is a legal requirement for the funds to be segregated as a Restricted Reserve.

**n) Cashflow Statement**

As permitted by the Statement of Recommended Practice, the Company has not produced a cashflow statement, as the consolidated Financial Statements of Seren Group Limited include a consolidated cashflow statement.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2009**

**2a Turnover, operating costs and operating surplus/(deficit)**

	Year ended 31 March 2009		Year ended 31 March 2008			
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
<b>INCOME AND EXPENDITURE FROM LETTINGS</b>						
General needs	58	(67)	(9)	55	(81)	(26)
Shared ownership	40	(9)	31	38	(17)	21
Other letting activities	887	(622)	265	828	(595)	233
Total from lettings	985	(698)	287	921	(693)	228
<b>OTHER INCOME AND EXPENDITURE</b>						
Development agency	896	(817)	79	759	(839)	(80)
Care & Repair	677	(669)	8	834	(835)	(1)
LCHO property sales	16,148	(14,788)	1,360	5,426	(4,918)	508
Other activities	173	(62)	111	174	(267)	(93)
	<b>18,879</b>	<b>(17,034)</b>	<b>1,845</b>	<b>8,114</b>	<b>(7,552)</b>	<b>562</b>

The Company's operating activities include the acquisition and development of properties which are sold on the basis that a proportion of the proceeds are financed by Home Buy loans provided by the Company or WAG - "LCHO property sales". Details of properties acquired or under development are referred to in note 13 on page 18.

The management of Home Buy loans is referred to in notes 6 and 10. The surplus arising on these activities is included in the surplus on disposal of assets in the Income and Expenditure Account on page 8.

Costs relating to other activities include £148,000 (2008 : £168,000) in relation to the impairment provision set out in note 10.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>2b Number of units in management</b>	<b>2009 Number</b>	<b>2008 Number</b>
General needs	190	190
Shared ownership	22	22
Leased	7	7
	<b>219</b>	<b>219</b>

In addition, the Company had an interest in 456 Home Buy Options (2008 - 336), included within long term investments (note 10).

<b>2c Turnover from lettings</b>	<b>2009 £000</b>	<b>2008 £000</b>
Service charges	68	56
Rent	626	562
Less: rent loss from voids	(32)	(15)
Net service charge and management income	<b>662</b>	<b>603</b>
Miscellaneous income	10	14
Grant funding	313	304
<b>TOTAL TURNOVER FROM LETTINGS</b>	<b>985</b>	<b>921</b>

<b>2d Operating costs from lettings</b>	<b>2009 £000</b>	<b>2008 £000</b>
Service costs	67	81
Management costs	428	393
Depreciation on housing properties	163	163
Maintenance	40	56
<b>TOTAL OPERATING COSTS FROM LETTINGS</b>	<b>698</b>	<b>693</b>

<b>2e Care &amp; Repair</b>	<b>RRAP £000</b>	<b>Core £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Grants	143	518	661	818
Other income	-	16	16	16
	<b>143</b>	<b>534</b>	<b>677</b>	<b>834</b>
Works costs	(77)	(255)	(332)	(519)
Employment costs	(45)	(202)	(247)	(232)
Office & accommodation	(5)	(19)	(24)	(21)
Other costs	(16)	(50)	(66)	(63)
	<b>-</b>	<b>8</b>	<b>8</b>	<b>(1)</b>

The Company operates the Care & Repair Agency for Newport. Other income includes a contribution of £16,000 (2008:£16,000) from the Company.

**FAIRLAKE PROPERTIES LIMITED**  
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**3 Directors' emoluments**

For the purpose of this note Directors means the Members of the Board and the Corporate Director of the Company. The members of the Board received no remuneration. The remuneration of the Group Chief Executive is reflected in the Financial Statements of Seren Group Limited.

	<b>2009</b>	2008
	<b>£000</b>	£000
The remuneration paid to the Directors was:-		
Emoluments (including pension contributions and benefits in kind)	<b>98</b>	92
Emoluments (excluding pension contributions) include amounts paid to:-		
Highest Paid Director	<b>87</b>	81
Corporate Director's employers pension contribution as an ordinary member of the company scheme	<b>11</b>	11

No enhanced or special terms apply. No contributions have been made to any individual scheme.

The number of Directors who received emoluments (excluding pension contributions) in the following ranges	<b>2009</b>	2008
	<b>Number</b>	Number
£85,001 - £90,000	1	-
£80,001 - £85,000	-	1
£nil	<b>10</b>	9
	<b>11</b>	10
	<b>£000</b>	£000
Non-executive directors' expenses	<b>3</b>	6

**4 Employee information**

The average weekly number of persons employed (including senior management) during the year was:-

	<b>2009</b>	2008
	<b>Number</b>	Number
	<b>30</b>	29
Staff costs (for the above persons):-	<b>£000</b>	£000
Wages and salaries	<b>971</b>	858
Social security costs	<b>77</b>	67
Pension costs	<b>110</b>	100
	<b>1,159</b>	1,025

**5 Operating surplus**

The operating surplus is stated after charging:-

	<b>2009</b>	2008
	<b>£000</b>	£000
Depreciation of tangible fixed assets - owned	<b>(178)</b>	(175)
Auditors' remuneration		
- Audit services	<b>(9)</b>	(9)
- Other services	<b>(1)</b>	(1)

**FAIRLAKE PROPERTIES LIMITED**  
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<b>6 Surplus on disposal of assets</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Proceeds	140	399
Attributable costs	(115)	(290)
	<u>25</u>	<u>109</u>

Included in attributable costs is £21,000 (2008:£21,000) relating to the management of the portfolio. The treatment seeks to match the operating costs with the corresponding sales proceeds.

<b>7 (a) Interest payable and similar charges</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
On intercompany balances with other group members repayable on demand	61	27
On intercompany loans repayable in more than 5 years	740	371
	<u>801</u>	<u>398</u>

A total of £29,000 (2008: £77,000) of interest based upon 5.5% has been capitalised during the year.

**7(b) Interest receivable and similar income**

Interest receivable relates to balances repayable on demand.

**8 Tangible fixed assets - housing properties**

	Held for letting		Shared Ownership completed £000	Total £000
	Completed £000	Under construction £000		
<b>COST</b>				
At 1 April 2008	4,073	2,235	637	6,945
Additions	-	993	-	993
Disposals	-	(2,841)	-	(2,841)
<b>At 31 March 2009</b>	<b>4,073</b>	<b>387</b>	<b>637</b>	<b>5,097</b>
<b>DEPRECIATION</b>				
At 1 April 2008	(611)	-	-	(611)
Charge for the year	(163)	-	-	(163)
<b>At 31 March 2009</b>	<b>(774)</b>	<b>-</b>	<b>-</b>	<b>(774)</b>
<b>NET BOOK VALUE</b>				
<b>At 31 March 2009</b>	<b>3,299</b>	<b>387</b>	<b>637</b>	<b>4,323</b>
At 1 April 2008	3,462	2,235	637	6,334

The total net book value of housing properties comprises:-	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Freehold property and land	1,469	3,317
Long leasehold property and land	2,854	3,017
	<u>4,323</u>	<u>6,334</u>

The above values include capitalised interest costs of £29,000 (2008: £77,000).  
No maintenance costs have been capitalised during the year.

**FAIRLAKE PROPERTIES LIMITED**  
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**9 Social housing grants and other grants**

	Held for letting		Shared Ownership Properties £000	Total £000
	Completed £000	On site £000		
At 1 April 2008	589	1,939	283	2,811
Transfer to revenue	(27)	-	-	(27)
Disposals	-	(1,639)	-	(1,639)
<b>At 31 March 2009</b>	<b>562</b>	<b>300</b>	<b>283</b>	<b>1,145</b>

**10 Fixed asset investments**

Fixed assets investments relate to loans advanced under the Home Buy Option Scheme, which are fully funded by Social Housing Grant. The net investment relates to schemes funded by the Company. When loans are repaid the Company benefits from any increase in value of the related property owned by the debtor. Furthermore for self funded investments the Company suffers from any decrease in the value of the related property at the time the investment matures. The revenue impact of this activity is set out in note 6 as a gain on disposal of assets.

	Cost £000	Grant £000	Net £000
At 1 April 2008	9,145	5,954	3,191
Additions	5,560	-	5,560
Disposals	(94)	(47)	(47)
Provision for impairment in year	(148)	-	(148)
<b>At 31 March 2009</b>	<b>14,463</b>	<b>5,907</b>	<b>8,556</b>

A total provision of £316,000 (2008:£168,000) has been made for impairment to the self funded element of the loan portfolio in the context of the current economic environment.

**11 Other fixed assets - scheme furniture & equipment**

<b>COST</b>	<b>£000</b>
At 1 April 2008	174
Additions	-
<b>At 31 March 2009</b>	<b>174</b>
<b>DEPRECIATION</b>	
At 1 April 2008	71
Charge for the year	15
<b>At 31 March 2009</b>	<b>86</b>
<b>NET BOOK VALUE</b>	
<b>At 31 March 2009</b>	<b>88</b>
At 1 April 2008	103

**FAIRLAKE PROPERTIES LIMITED**  
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<b>12 Debtors: amounts falling due within one year</b>	<b>2009</b>	2008
	<b>£000</b>	£000
Rents	65	39
Provision for bad debts	(1)	(2)
	<u>64</u>	<u>37</u>
Sales ledger	48	107
Other debtors & prepayments	36	59
	<u>148</u>	<u>203</u>
<b>13 Properties held for sale</b>	<b>2009</b>	2008
<b>COST</b>	<b>£000</b>	£000
On site	1,473	4,928
Completed	3,441	6,109
	<u>4,914</u>	<u>11,037</u>
Includes capitalised interest and development overheads of £42,000 (2008: £156,000).		
<b>14 Creditors: amounts falling due within one year</b>	<b>2009</b>	2008
	<b>£000</b>	£000
Suppliers	111	38
Bank overdraft	-	299
Recycled grant - Recycled Capital Grant Fund	333	198
Payments due to contractors	85	529
Rent prepayments	14	15
Other creditors & accruals	157	129
	<u>700</u>	<u>1,208</u>
Group Member: Charter Housing Association Limited	1,000	1,000
	<u>1,700</u>	<u>2,208</u>
<b>15 Creditors: amounts falling due after more than one year</b>	<b>2009</b>	2008
	<b>£000</b>	£000
Group Member - Charter Housing Association Limited	10,706	11,935
Group Member - Gwent Homes Limited	1,515	1,750
Recycled grant - Recycled Capital Grant Fund	301	587
	<u>12,522</u>	<u>14,272</u>

Recycled grant is repayable to WAG if it is not utilised within three years of when it arose.

Amounts owing to Charter Housing include £3.7m relating to a secured loan to finance the housing stock it transferred to the Company on 1 July 2004. The remaining Group Member liabilities are repayable on one years notice.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>16 Non equity share capital</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Shares at £1 each fully paid and issued:		
At 1 April 2008	<b>11</b>	<b>8</b>
Issued during the year	<b>3</b>	<b>3</b>
Surrendered during the year	<b>(1)</b>	<b>-</b>
<b>At 31 March 2009</b>	<b>13</b>	<b>11</b>

The shares carry voting rights, but no rights to dividends or any distribution on winding up. There is no provision for any redemption.

<b>17 Reserves</b>	<b>2008</b>	<b>Transfers (to)/</b>	<b>2009</b>
	<b>£000</b>	<b>from reserves</b>	<b>£000</b>
		<b>£000</b>	
Revenue reserves	1,605	1,081	<b>2,686</b>
Designated reserve:			
Leasehold scheme for the elderly	135	(8)	<b>127</b>
	<b>1,740</b>	<b>1,073</b>	<b>2,813</b>

<b>18 Capital commitments and contingent liabilities</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Capital expenditure contracted for but not provided for in the Financial Statements	<b>1,900</b>	<b>4,994</b>
Capital expenditure authorised by the Board of Management but not yet contracted for	<b>-</b>	<b>-</b>

There were no contingent liabilities in either year.

**19 Pensions**

The Company participates in the Social Housing pension Scheme ("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 on-going funding deficit by individual employer due to the nature of the SHPS Scheme. 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 and
- The contribution rate for all employers is set by reference to the overall financial position of the scheme

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 due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable. The employer contributions over the period were £110,000 (2008: £100,000).

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.

**FAIRLAKE PROPERTIES LIMITED**  
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**19 Pensions - continued**

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
Rate of pension increases:	Pre 88 GMP	0.0
	Post 88 GMP	2.8
	Excess over GMP	3.0
Mortality pre retirement	PA92 Year of Birth, long cohort projection, minimum improvement 1%pa	
Mortality post retirement	90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa	

During the accounting period the Company paid contributions at the rate of 13.8%. Member contributions varied between 6.7% and 8.7%.

**Background on employer debt legislation**

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

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

**20 Group information**

Fairlake Properties Limited is a member of the Seren Group. The Group comprises:

Seren Group Limited (the parent company)  
 Charter Housing Association Limited  
 Fairlake Properties Limited  
 Gwent Homes Limited  
 REACH (Supported Living) Limited  
 Pen yr Enfys Limited  
 Solas Cymru Limited

With the exception of Gwent Homes Limited, all Group Members have charitable rules.

Seren Group Limited has a right to exercise a dominant influence over the activities of the other Group Members and consequently prepares consolidated Financial Statements which incorporate the results of all Group Members.

**FAIRLAKE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**20 Group Information - continued**

Fairlake Properties Limited has, since 1 July 2004 had a right to exercise a dominant influence over the activities of Gwent Homes Limited. Consolidated Financial Statements are not prepared by the Company as it is itself consolidated in the Financial Statements of Seren Group Limited.

**21 Related parties**

Transactions between Group Members are summarised below. The Chair and one other Board Member of the Company and other Group Members are also Board Members of Seren Group Limited. Charter Housing Association instructs the Company on development activities. Seren Group Limited provides finance and corporate services to the Company. Where Board members are councillors or employees of Local Authorities, any transactions with those Local Authorities are at an arms length basis on normal commercial terms and such Board members are unable to use their position to their advantage.

		<b>2009</b>	2008
		<b>£000</b>	£000
Income & expenditure transactions with other Group Members:			
Gift Aid receipt	Gwent Homes	<b>100</b>	100
Management charges	Charter Housing Association	<b>(11)</b>	(14)
Management charges	Seren Group Limited	<b>(344)</b>	(309)
Development & asset management fee income	Various - primarily Charter Housing Association Limited	<b>673</b>	495
Interest payable	Charter Housing Association	<b>(831)</b>	(608)
Accommodation charges	Seren Group Limited	<b>(115)</b>	(119)
		<hr/>	<hr/>

Group Member balances at 31 March 2009 and 2008 are set out in notes 14 and 15.

**FAIRLAKE PROPERTIES LIMITED  
MANAGEMENT, OFFICERS, ADVISERS & BANKERS  
YEAR ENDED 31 MARCH 2009**

**Board**

*Chair*

John Evans  
(Appointed September 2008)

*Vice Chair*

Mark Williams

Andrew Garvey  
(Appointed November 2008,  
Observer from May 2008)

Chris Jofeh

Adrienne Jones  
(Appointed September 2008)

Stewart Murton  
(Seren Appointee)

Andrew Whitcombe

Michael Wiseman

Martin Donovan  
(Resigned October 2008)

Lynn Moseley  
(Resigned September 2008)

**Executive Team**

*Group Chief Executive*  
Amanda Davies

*Corporate Director*  
Darrell Bolton

*Other Group Corporate Directors*  
Kathryn Edwards - Charter  
Judith North - Reach  
Rhian Stone - Solas  
Steve James - Pen yr Enfys  
Simon Jones - Seren

**Offices, Advisers & Bankers**

*Registered Office*  
Exchange House  
The Old Post Office  
High Street  
Newport NP20 1AA

*Auditors*  
KPMG LLP  
Marlborough House  
Fitzalan Court  
Cardiff CF24 0TE

*Principal Solicitors*  
Hugh James  
Hodge House  
114-116 St Mary Street  
Cardiff CF10 1DY

*Bankers*  
Lloyds Bank PLC  
42 Commercial Street  
Newport NP20 1WX

The Company is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord with WAG.

WAG registration  
Industrial and Provident Societies registration

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