Financial accounts

2013
14

A business with
social objectives

Southern
Housing
Group

www.shgroup.org.uk

Group Financial Statements
Year Ended 31 March 2014

Contents

The consolidated financial statements of:
Southern Housing Group Limited
Southern Home Ownership Limited
Southern Space Limited
Southern Development Services Limited

Southern Housing Group Limited, an exempt charity and registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014 number 31055R, registered in England with registered office at Fleet House, 59-61 Clerkenwell Road, London EC1M 5LA

Operating and financial review


Iris Court, Reading

The Board, Senior Executives and Advisers
31 March 2014

The Board:
Members of the Board and Committees of Southern Housing Group Limited as at 31 March 2014:

Group/Company		Southern Housing Group						SDSL	SHO	SSL
Committee		**Board**	**Remuneration & Nomination**	**Treasury**	**Customer Services**	**Audit**	**Development**	**Board**	**Board**	**Board**
Malcolm Groves		C								
Justin Chittock		M		C		M				
Maureen Corcoran		M			C					
Tom Dacey	CE	M						M		M
James Hitch		M	C							
Steve Johnson		M			M					
Arthur Merchant		M				M				
Preth Rao		M	M		M	M				
Paul Rees		M				C		C		
Tim Richards		M	M				C		C	C
Katherine Lyons									M	M
Hugh Stebbing									M	M
Dale Meredith	E								M	M
Rosemary Farrar	E							M		M
Paul Smith	E									
Kate Nelson	E									

C – Chair M – Member CE – Chief Executive E - Executive

External Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Principal Bankers
National Westminster Bank Plc
Corporate Banking
Second Floor, County Gate 2
Staceys Street
Maidstone
Kent ME14

Secretary and Registered office
Edward Nicholl
Southern Housing Group
Fleet House
59-61Clerkenwell Road
London
EC1M 5LA

Operating and Financial Review
31 March 2014

Introduction from the Chairman and CEO


Malcolm Groves, Chairman


Tom Dacey, Chief Executive

We hope all of our stakeholders, suppliers and business partners find this Operating and Financial Review informative and enlightening.

The financial year 2013/14 was a good year of performance and progress for the Group. We were very pleased to achieve a creditable A1 rating with Moody's which provided the foundations for our first issue of a private placement bond issue with an innovative forward fix on funds to be paid to the Group five years hence.

Whilst the London and South East property market has had a beneficial effect upon our surplus for the year we are particularly gratified that we also delivered a significantly increased operating surplus, thereby mitigating reliance upon property sales.

Our balance sheet is strong and it needs to be, when we are receiving less public grant, borrowing more and investing a larger proportion of our resources in the provision of new homes. Capacity is a critical consideration for all developing associations. We can provide new homes without grant, but we could increase volume with more generous subsidy than presently available.

Operating and Financial Review
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We were very pleased to achieve a creditable A1 rating with Moody's which provided the foundations for our first issue of a private placement bond issue with an innovative forward fix on funds to be paid to the Group five years hence.

We also benefited by converting the reduced term variable rate debt to committed revolving credit facilities (RCFs) and thus increasing our debt management flexibility.

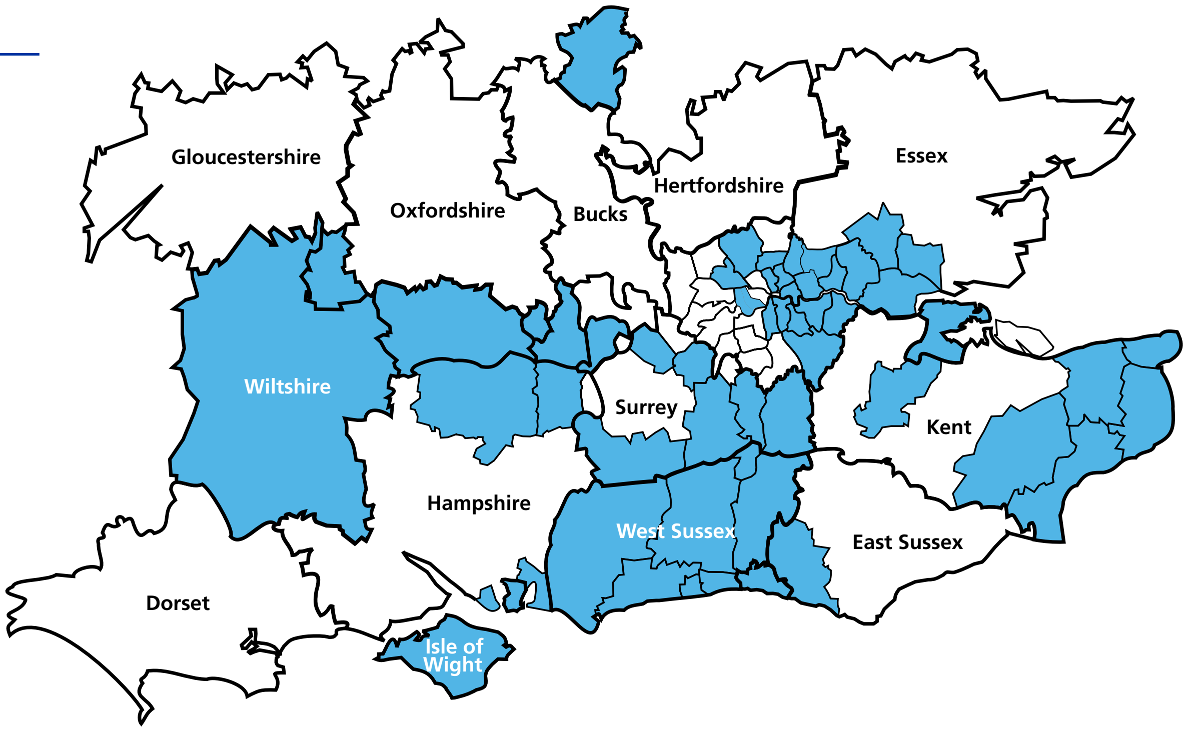
Overview of the Business

Southern Housing Group was established in 1901 and owns and manages more than 28,000 homes in London and the South East of England. Over 40% of these are located in the high value central London boroughs. We provide housing for over 67,000 residents and employ over 900 people offering a range of housing options for rent and home ownership. We offer support to our residents to maintain their tenancies through our social and economic investment work involving a variety of ground breaking projects.

We have a healthy pipeline of new housing stock and are just completing our 2011/15 contract with the Homes and Communities Agency (HCA) which has delivered a modest number of homes under the new 'affordable housing' tenure. In addition to building new homes the group invested just under £40 million during the year to improve and renew its existing housing stock.

Southern Housing Group	Unit Numbers	
	2014	2013
Social Rented	20,806	20,656
Supported	249	249
Intermediate Market Rent	1,000	974
Open Market Rent	14	-
Affordable Rent	448	220
Leasehold	2,437	2,409
Shared Ownership	3,490	3,445
	28,444	**27,953**

Where we work



Operating and Financial Review

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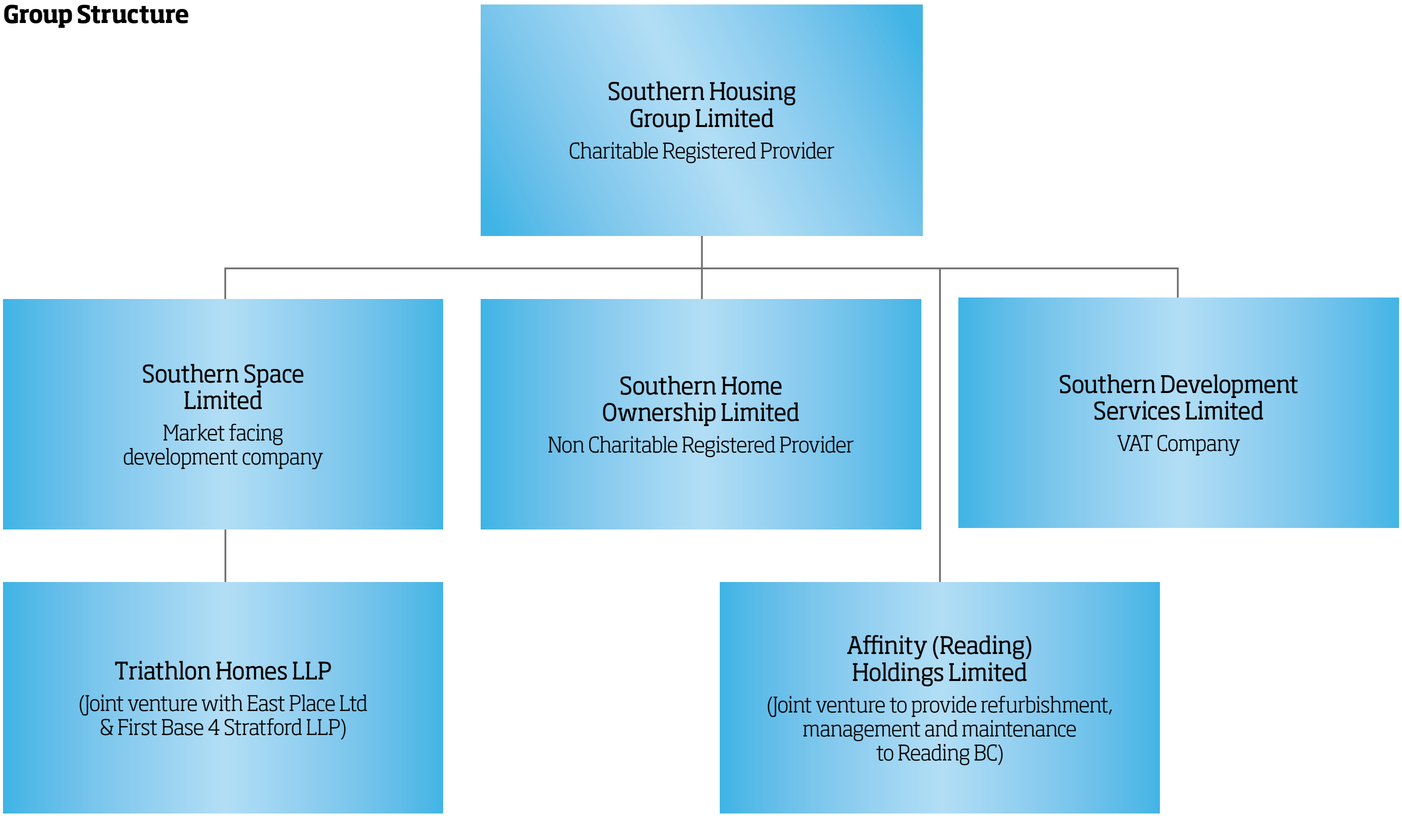
Group Structure



Group Structure

Southern Housing Group Limited (SHGL), the parent organisation and Southern Home Ownership Limited (SHO) are Registered Providers (RPs) of affordable housing regulated by the HCA. Southern Space Limited (SSL) develops properties for outright sale. SSL has a one third share in Triathlon Homes LLP which provides the long term affordable housing post the Olympic Games at the Olympic Village. SHGL has a 50% share in the Reading PFI which manages 1,318 homes. Southern Development Services Limited (SDSL) provides project delivery services for companies in the Group.

Our objectives and strategies

Southern Housing Group is a business with social objectives committed to providing housing of a high quality to customers in housing need. We aim to provide a first class housing management service to a range of tenures including affordable, mid-market and full market rented, shared ownership and outright sale.

Our first priority is to meet the evolving needs of our residents at consistently high standards. In order to do this and to continue to increase our new supply of housing our asset management strategy will maximise the use of our property assets and leverage our net rental income. We are building on a strong legacy and work to establish and strengthen relationships with the communities in which we operate.

During the year we launched our new Corporate Strategy which more clearly defines us as a business with social objectives.

The five headlines of this strategy are:

1. Valuing our history, developing our brand and enhancing our reputation;
2. Providing quality homes;
3. Offering sustainable tenures;
4. Building without public subsidy;
5. Delivering value.

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The Year in Brief 2013/14

External influences

The shortage of new supply of housing particularly in London has contributed towards another good year for the Group's shared ownership and open market sales. Our new products have sold well and reached better than expected prices. Our shared owners have found that the continuing low interest rate environment has made increasing their equity share in their property both attractive and affordable.

The Affordable Rent tenure continues to prove very popular with low paid working households but less popular with local authorities who expect new provision by the housing association sector to contribute to ease their statutory responsibilities towards homeless people. Having prioritised working households as suitable for this tenure for reasons of affordability 14% of those who we housed on the affordable rent tenure are applicants on benefits. The incomes of those we are housing – average £31,000 pa in London and £25,000 pa outside London – emphasise very well that this is an important contribution to the economy of London and the South East.

Risks and uncertainties - our response

The economic situation coupled with the government's policy has presented a number of risks for the business. We have met these by applying conservative assumptions to a fresh approach. We have revised our long term business plan to reduce the supply of new homes and are targeting a mix of market based products partially to subsidise the modest amount of affordable rented and shared ownership housing that we wish to continue to provide with little or no further capital subsidy. We have ensured that we are not reliant on market driven products and maintain an operating surplus on our core management activity independent of any market driven or sales income.

During the year we raised our first issue of funds from institutional investors which has begun to dilute our reliance on long term bank debt and has ensured at all times that we have a ready supply of inexpensive cash available to cover all new housing in the pipeline not just the projects in contract. This issue not only raised funds for our immediate use but secured a further tranche at a fixed cost from an investor to be paid to us in five years time.

The economic downtown continues to have a disproportionate effect on our residents and although the full effects of the Welfare Reform challenges have been further delayed our energies continue to be concentrated on the twin objects of improving our knowledge of our residents' circumstances and ensuring that the organisation has taken all possible measures to mitigate the potential impact of the changes.

We have concentrated our resources in customer facing areas such as Financial Inclusion and Income Recovery and have made appropriate projections in our business plan around debt. We have partnered with a specialist agency to improve the resident information database.

These challenges and others have led us to focus on the following high level risks during the year:

- Failure to understand and respond appropriately to changes to the external environment;

  Our business plan is regularly reviewed in order to reduce reliance on funding sources that are vulnerable to economic or political change.

- Changes in the regulation environment;

  We ensure that we meet all our regulatory requirements and are exploring ways in which we can reduce our reliance on regulated and politically driven business

- Changes in government policy on housing benefit increasing arrears and ultimately reducing revenue;

  We have modelled the likely impact of policy change and have increased the bad debt provision and allowed for the expected cashflow impact. Our strategy is to allocate appropriately priced accommodation to new tenants.

  We have a robust arrears recovery process and have worked with tenants at risk of capping through under occupation. We have employed additional rent collection staff and increased our team of Financial Inclusion Officers.

Operating and Financial Review

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- Unforeseen breach of loan covenants caused by unexpected operational issues;

  We continue to improve our financial modelling to ensure that we operate within our financial capacity and have introduced stricter loan compliance monitoring. We have reviewed our treasury policy and have introduced bond finance into our portfolio and revised our covenants with bank lenders. Covenants were "eased" to allow increased Group on-lending/investment for operational flexibility in order to deliver greater levels of mixed tenure developments providing the necessary cross-subsidy for affordable housing. We also benefited by converting the reduced term variable rate debt to committed revolving credit facilities (RCFs) and thus increasing our debt management flexibility.

- Future rent levels suppressed by political change leading to reduced operating margins;

  We have allowed for a considerable slowdown in future rent increases and have modelled various scenarios to ensure the business is properly stress tested. We have gradually improved our margin through careful budgetary control over costs to eliminate waste.

- Over reliance on income from a single tenure;

  Our medium term business plan envisages the development of a variety of tenures both market and non market facing in order to dilute the present reliance on social rent.

- Significant increase in interest costs;

  We have revised our interest rate management policy and increased the proportion of fixed rate finance to cover this risk.

Providing Value for Money(VfM)

As a Board we are clear that we want to deliver our corporate objectives in a low or no grant environment. For us VfM is an essential component of our future success. It's about being more efficient, keeping our costs under control, generating more income and delivering good quality outcomes that drive high customer satisfaction.

The full Board's Value for Money Statement for 2013/14 can be found at *http://www.shgroup.org.uk/media/172987/vfm-board-statement-2014.pdf*

Meeting the five challenges of our business plan is dependent on Southern being able to drive improved value for money from every part of our business.

We calculate and understand the cost of delivering our services and are able to use performance and benchmarking data to concentrate our efforts on underperforming areas. We are working to improve our understanding of our costs at a more granular level and then being able to realise in cash or added value the benefits of improvements made and articulate those gains to both ourselves and our stakeholders.

During 2013/14 we monitored our performance against goals set at the outset of the year:

Goal	Achievement in 2013-14
Enhance our financial viability	Achieved through another strong financial performance resulting in an operating surplus of £56.3 million.
Rationalise our stock holding	Achieved through the sale over 3 years of 876 units of housing, for a total of £44,876,328.
Develop 300 units of housing each year.	The 2013-14 programme limited by delays in starting projects caused by a variety of limiting factors which means that we did not achieve this goal.
Reduce the maintenance spend by 3%.	Our reduction of a little under 3% in 2013-14 represents a reasonable outcome.
Better use of peripheral resources such as garages and community halls.	Garage rentals are better controlled and income is increased. Community hall income has increased.
Maintain good levels of income collection and recovery despite welfare reform challenges.	Rent arrears owed to Southern have fallen.
Improve our performance on allocating and letting void homes.	We put in place new systems which failed to deliver the required improvements but after a second review of processes our performance is now improving.
Reduce the cost of running our human resources department.	We achieved L&D savings of £366K and halved the cost of recruiting a member of staff.

For us VfM is an essential component of our future success. It's about being more efficient, keeping our costs under control, generating more income and delivering good quality outcomes that drive high customer satisfaction.

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Benchmarking with others

In order to drive efficiency we benchmark our costs and performance against similar businesses across a range of financial and non-financial outputs.

The table below shows our performance during 2013/14 and 2012/13 benchmarked against the published 2012/13 results of the other largest London based Registered Housing Providers.

We are pleased that we have been able to achieve a significant drop in rent arrears despite the growing impact of welfare reform and generally adverse economic conditions for many of our residents. Our satisfaction figures have held up reasonably well over a period of time which has been financially challenging for many of our customers. The main VfM challenge for 2014-15 will be letting our empty property more quickly.

We have experienced operational problems that led to a worrying fall off in performance. These problems are now being addressed robustly, and our performance is starting to improve.

We are active participants in HouseMark which provides benchmarking data reports for the largest fifteen London based Housing Registered Providers. This helps us to understand our cost base in some detail, assess VfM compared with other similar providers, and inform our decision making. The headline figures from the latest HouseMark report are summarised below.

Value for money and our business

Financial capacity

To deliver our corporate objectives we need to build financial capacity through a combination of prudent cost saving and income generation.

The table on page 18 shows how our underlying surplus has improved over the past five financial years.

In order to build the capacity to deliver our business plan target of new homes and improved services we will need to achieve an 11% reduction in our operating costs (after inflation) over the next 4 years. This equates to around £2m each year. We will achieve this through a combination of careful budgeting and cost controls, as well as genuine efficiency savings. We will also seek opportunities to maximise income.

Further capacity is built by driving a return on our assets. The age and location of our older social housing stock produces an average 5% return on cost. Conversion of this stock to the new Affordable Rent tenure increases this return. The average return on the rented element of our Shared Ownership properties which turn over regularly and are therefore newer is 4.4% before capital gains on sale.

Benchmarking: How we compare with others

		SHG 2013/14	SHG 2012/13	Peer group average 2012/13
£ per annum	Management costs per home	1,230	1,184	1,369
	All maintenance costs per home	845	860	848
	Service costs per home	540	566	245
	Total operating costs per home	3,320	3,412	3,570
Percentage	Social housing lettings operating margin	30%	26%	27%
	Rent loss between lettings per home	1.50%	1.50%	0.95%
	Overheads as a % of income	22%	18%	27%
Ratio	CEO pay per home	6.84	6.76	
	Ratio CEO emoluments to average staff emoluments excl pension	6.07:1	6.01:1	
£pa	Board and exec pay per home	33.19	31.73	
Percentage	Current arrears as a percentage of rent due - social housing properties	3.51%	4.04%	5.00%
	Current arrears % affordable housing	0.92%	0.83%	
	Resident satisfaction	81%	84%	78%
Days	Average relet days social property	43	23	35

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We assess all of our housing that becomes void in order for its suitability for conversion to the Affordable Rent tenure. The assessment process takes into account the type of unit, the local market, and possible future rent levels. Re-letting at affordable rent levels creates new social value by enabling us to help relatively low income working households as well as increasing our income in order to enable us to invest in new affordable homes. In addition we use the intelligence gained from our asset management data bases and other sources to earmark vacant underperforming properties for sale. All void units are assessed and each year a small number are sold and the proceeds re-invested in alternative homes. Our intermediate rented units are also carefully assessed when they become vacant or tenancies expire. We use market knowledge to decide on re-letting at a rent that is economic for our business or offering for either outright or shared ownership sale.

The Group's asset management strategy is to maximise the use of existing assets based on location and tenure, having regard to both turnover and existing condition. Control is exercised through information systems that give us a comprehensive understanding of all of our housing stock. Our information is kept fresh by routine information capture and regular re-assessment.

HouseMark G15 Benchmarking Summary 2012/13

Indicator	Upper	Median	Lower	SHG	Quartile
Housing management cost per property £	481	547	580	474	1
Central support functions as a % of turnover	1.90	3.38	3.81	1.90	1

We have just completed a three year strategic stock rationalisation programme disposing of housing in areas where we have a minimal stockholding and ongoing management is not efficient and purchasing existing stock from other registered providers in our areas of core operations. At the end of the programme we have sold 876 units of housing to other registered providers for a total of £44.9 million and have purchased 416 properties for £30.7 million. Where we have sold property we have achieved an average premium rate of around 46% above existing use value (EUV). Where we have purchased property we have done so at an average premium rate of just 20% above EUV. Since 2011 we have reduced the number of local authority areas in which we work from 80 to 50.

We continue to reinvest in our older estates and at Lisgar Terrace in West London we are modernising 200 existing homes and will at the same time generate an additional 34 new homes to create a mixed tenure scheme.

Maintaining our existing homes

The cost of routine, cyclical and major works is the largest area of our expenditure and has therefore been carefully managed with a view to reducing waste, lowering overall costs and improving the quality of what we do. The table below left details expenditure since 2011 within the maintenance and reinvestment functions.

This demonstrates savings of just under £2 million or 4.6% in the last financial year, with a similar level of saving forecast for 2014/15. We continue with our fixed price contracts across the regions where we operate. These provide cost certainty for the Group and share risks evenly with our external commercial providers. Providing one repairs contact point for residents has eliminated costly and inefficient double handling. Co-location of our partner contractor staff within our offices enables further cost reductions and provides for dialogue to help us resolve more complex repairs issues effectively and efficiently.

Towards the close of 2013/14 we created Southern Maintenance Services, our first in-house maintenance service. We are confident of producing savings of approximately £0.25m in the first year through a combination of direct employment of operatives and reduction in VAT.

How we maintain our existing homes:

	Year 1 £000 2011/12	Year 2 £000 2012/13	**Year 3 £000 2013/14**
Routine Maintenance	21,553	22,721	22,303
Planned and Cyclical	6,242	5,407	5,260
Major Repairs	13,797	13,533	12,184
Total	**41,592**	**41,661**	**39,747**

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Social and environmental value for money

This year our focus has been on supporting our residents through the government's welfare reform changes. We have invested in additional Financial Skills staff who have focused support on residents impacted by the Spare Room Subsidy and the Benefit cap changes. In this way we have been able to reduce the financial impact both on residents and on Southern Housing Group's rental income. On the Isle of Wight alone our two new Financial Skills Officers have accessed over £50,000 on behalf of residents, a large proportion of which has been credited to rent accounts. Our Employment Skills officers have engaged with 306 residents, supported 148 into training and work experience opportunities of which 120 gained permanent work. In this way we created opportunity and stability for residents and SHG communities. The Group has continued to benefit from 'Big Lottery' funding, this year receiving £49,000 for social projects. Our Community Partnerships team has developed an excellent and unique Impact Assessment framework that establishes the cost benefit (vfm) to communities and to the Southern Housing Group business of our interventions. The assessment measures our impact on a range of housing indicators such as repair frequency and cost, reduction in anti social behaviour and consequent costs and visits by housing staff.

Providing value for money through sustainability

Fuel poverty and affordable warmth

We continue to investigate opportunities for energy efficiency improvements for all our housing stock including funding for hard-to-treat cavities, loft and standard cavity wall insulation and replacing communal boilers. During the year 2013 we created an in-house Home Energy Advice Team, whose objective is to provide energy efficiency advice to residents to help reduce utility bills.

Efficient use of natural resources

We continue to aim for the development of the best fuel efficiency in our new homes. A newbuild project on the Isle of Wight is under construction utilising the 'Passivhaus' methodology which seeks to reduce energy demand by using 'Fabric First' approaches to construction and maximising opportunities for passive solar gain.

Positive environmental impact

Staff members are trained in energy efficiency in order to recognise the signs of fuel poverty and refer residents for further support. Staff with high mileage use have had Eco Driver training in order to increase their fuel economy and driving safety.

Details of the impact of our Value for Money strategy can be found on our website.

Development performance

During 2013/14 we completed 256 new homes. This reflects the relative modest take up by the Group of the 2011/15 programme funded by the HCA/GLA.

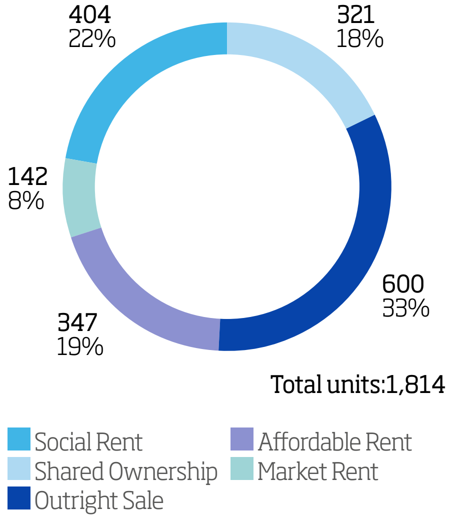
A number of key development projects were in progress at the end of the year but have suffered delays from a variety of external sources.

Development performance of new homes:

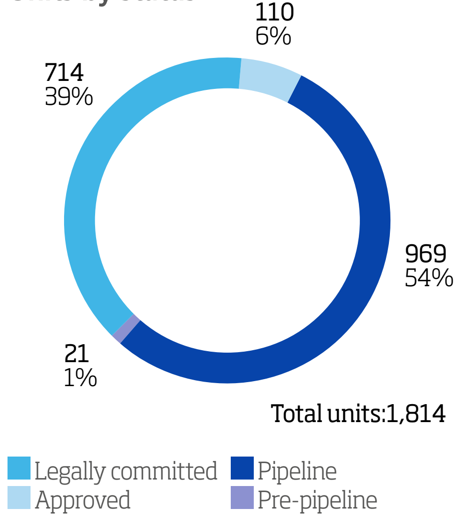
Tenure	2013/14 Completions	2012/13 Completions
Social Rent	73	434
Affordable Rent	91	55
Intermediate Rent	46	63
Shared Ownership	30	155
Market Sale	14	115
Market Rent	2	
Total	**256**	**822**

The Group had 1,814 homes in the development pipeline at the end of the year:

Units by tenure



Units by status



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Development highlights

'Vega': our art-deco scheme at Kingsway, Hove. This scheme offers 40 apartments for rent with communal garden and basement parking. The development has achieved Code for Sustainable Homes level 4, with high levels of natural light, a highly efficient centralised, gas combined heat and power system and photovoltaic panels providing power for communal areas, including the outdoor feature lighting. In response to the City Council's 'Percent for Art' initiative the glass fronted design features a lighting panel linked to the tide.

Barking Riverside: The Group completed the final phase of its housing located in this new community featuring a range of housing types from ribbon apartment blocks to semi-detached houses, all with generous outdoor space. The scheme is built to Code for Sustainable Homes level 4, with photovoltaics providing free electricity to all homes. We have created quality homes at the centre of a new community with a new school and community centre set within a substantially green environment.

Cameron Close, Freshwater: This is the Group's first scheme built to 'Passivhaus' standards. The development comprises 28 Affordable Rent units, including 16 large family houses and twelve flats which will be very cheap to run with virtually no need for space heating. We are monitoring progress on site very closely to ensure that we learn from the experience and we hope to build more 'Passivhaus' homes in the future.

Triathlon Homes

The first homes from our joint venture with First Base and East Thames Group on the Olympic Village were handed over for occupation in the second half of the year. The affordable blocks are integrated with the market homes and include social rent, shared ownership, intermediate rent and equity share.

Governance

The Board

The Group retained the highest ratings for governance and financial viability by the housing regulator, the Homes and Communities Agency (HCA). It has been rated A1 by Moody's.

The Group Board is responsible for the business of Southern Housing Group which includes overseeing and directing our activities, formulating future strategies and plans, maintaining an overview and monitoring the work of its subsidiaries and committees. The Board meets four times per year. Board members serve a maximum of three continuous terms of three years. The Board members who served during the year are listed on page 6 and attendance at meetings on pages 16 and 17.

The Board and each of its subsidiary Boards and Committees has detailed terms of reference which are established and monitored by the Parent Board. The terms of reference include the frequency of meetings which range from two to four meetings per year.

The Board fully supports and complies with the principles set out in the National Housing Federation's Code with the only exception being that the shareholding membership of Southern Housing Group is limited to Board members only.

Members of the SHGL Board are paid for their services to increase our ability to attract and retain high calibre members and to improve mechanisms for their performance appraisal and development.

Chairman:	£15,000
Member and Chairman of Committee or subsidiary Board:	£ 7,000
Member:	£ 5,000

The level of Board member remuneration was last reviewed by the Remuneration and Nominations Committee during 2010/11 where it was determined that payment should be retained at the existing levels until the next review.

Committees

The Audit Committee

The Audit Committee reports to the Board on the operation of our risk management and internal control arrangements. It recommends the appointment of internal and external auditors, considers the scope of their work and the reports produced. It reviews in detail the annual financial statements and recommends them to the Board.

The Customer Services Committee

The Customer Services Committee considers all matters relating to the provision of services to our residents. This includes considering strategic policies as well as reviewing operational performance covering all aspects of services provided to residents. It also considers the way in which we involve residents in service delivery and other aspects of our work.

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We have five regional Resident Services Panels (RSP) each of which is Chaired by a resident. Each panel meets on a quarterly basis to discuss the performance of the Group in its region. The Chairman of each panel is invited to sit on the Customer Services Committee ensuring that the RSPs play an integral part in the governance of the Group.

The Group Development Committee

The Group Development Committee considers matters relating to Development Strategy of all companies in the Group including the development of new properties and stock reinvestment. It also monitors performance in relation to all property sales and first lettings of intermediate rent properties.

The Remuneration and Nominations Committee

The Remuneration and Nominations Committee considers matters relating to Board remuneration, recruitment of new Board, subsidiary Board and Committee members, succession planning for all Boards and Committees, skills training, salary structure, pension arrangements, senior staff remuneration, non contractual benefits for all staff and the assessment of the performance of the Board and its Members and its subsidiary Boards and Committees and their Members. Succession planning helps to balance the composition of the Boards and Committees in order to reflect the profile of our residents and to ensure that there is the correct mix of skills on each Committee and Board.

The Treasury Committee

The Treasury Committee considers in detail all aspects of treasury management including the Treasury Strategy, long term funding requirements and ensures that loan covenants are maintained.

Board attendance and significant other directorships

Group/Company: **Southern Housing Group**							
Committee	**Board**	**Remuneration & Nominations**	**Treasury**	**Customer Services**	**Audit**	**Development**	**Other Directorship**
Malcolm Groves	5 (5)	3 (3)					Island Cottages Ltd, Sustainable Chale Ltd, Chale Recreation Ground Ltd, IOW County Club Ltd, Osborne Court Mgt. (Wokingham) Ltd, Boards of RBS Pension Trustees Ltd & RBS CIF Trustee Ltd
Justin Chittock	5 (5)		4 (4)		4 (4)		Linden Business Consulting Ltd.
Maureen Corcoran	4 (4)			4 (4)	1 (2)		Chair of Kingston Churches HA, Director of Maureen Corcoran Associates, Director of Political Skills Forum
Tom Dacey	5 (5)						
Jim Hitch	5 (5)	4 (4)					English Language Service Ltd
Steve Johnson	5 (5)			4 (4)			Independent Advice Services Ltd, Advanced Case Management Solutions Ltd, VCS Insurance (Guernsey) Ltd, Advice Services Alliance, LawWorks, The Access to Justice Foundation, The School for Social Entrepreneurs, The Change Account Mutual Partnership (Committee Member)
Arthur Merchant	4 (5)				2 (3)		Board member: Hertfordshire Chamber of Commerce, Board Member of Aster Housing Group, Board Member of Raven Housing Trust
Preth Rao	2 (5)	3 (4)		3 (4)	1 (1)		
Paul Rees	5 (5)				4 (4)		Chairman of CAB Waverley & Board Member CAB Surrey, Trustee of Greensleeves Homes Trust, Chair of Audit Committee RCN, Chair Audit Committee Surrey Police
Tim Richards	5 (5)	3 (3)				4 (4)	Aston Rose (West End) Ltd, Brookgate Securities Ltd
Members who have retired during the year							
Andrew McIntyre	1 (1)	0 (1)	0 (1)				Retired July 2013, Ernst & Young Trustees Ltd.
Tony Bourne	1 (1)	1 (1)	0 (1)				Retired July 2013, BMJ Publishing Group, Bioquell PLC, Barchester Grove Limited
Chris Hampson	1 (1)	1 (1)		1 (1)			Retired July 2013, Look Ahead Housing & Care

Number of meetings attended out of (Total number possible for individual)

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Group/Company: **SDSL**	
Committee	**Board**
Board/Committee Meeting Attendance:	
Paul Rees	0 (0)
Tom Dacey	1 (1)
Rosemary Farrar	1 (1)
Members who have retired during the year	
Anthony Bourne	1 (1)

Number of meetings attended out of (Total number possible for individual)

Group/Company: **SHO**	
Committee	**Board**
Board/Committee Meeting Attendance:	
Tim Richards	3 (3)
Katherine Lyons	4 (4)
Hugh Stebbing	3 (4)
Dale Meredith	4 (4)
Members who have retired during the year	
Jim Hitch	1 (1)

Number of meetings attended out of (Total number possible for individual)

Group/Company: **SSL**	
Committee	**Board**
Board/Committee Meeting Attendance:	
Tim Richards	4 (4)
Katherine Lyons	4 (5)
Hugh Stebbing	3 (5)
Dale Meredith	5 (5)
Tom Dacey	3 (5)
Rosemary Farrar	5 (5)
Members who have retired during the year	
Jim Hitch	1 (1)

Number of meetings attended out of (Total number possible for individual)
There have been no significant changes to the accounting policies in the year.

As a Board we are clear that we want to deliver our corporate objectives in a low or no grant environment. For us VfM is an essential component of our future success. It's about being more efficient, keeping our costs under control, generating more income and delivering good quality outcomes that drive high customer satisfaction.

We continue to reinvest in our older estates and at Lisgar Terrace in West London we are modernising 200 existing homes and will at the same time generate an additional 34 new homes to create a mixed tenure scheme.

Operating and Financial Review
31 March 2014

Analysis of Results

Balance Sheet Group	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Housing properties at cost less depreciation	**1,758.3**	1,737.4	1,659.2	1,631.1	1,572.6
Less: Social Housing and other grants	**(880.2)**	(881.9)	(847.5)	(839.6)	(782.4)
	878.1	855.5	811.7	791.5	790.2
Other tangible fixed assets	**40.5**	39.5	39.9	40.4	39.8
Investments excluding JV liabilities	**109.1**	103.0	100.1	87.1	105.5
Net current assets/(liabilities) including JVs	**50.9**	72.2	80.2	41.4	7.4
	1,078.6	1,070.2	1,031.9	960.4	942.9
Loans due after one year	**706.6**	737.9	741.7	689.0	686.4
Other long term liabilities	**17.0**	22.9	15.8	9.7	20.2
Reserves	**355.0**	309.4	274.4	261.7	236.3
	1,078.6	1,070.2	1,031.9	960.4	942.9
Statistics					
Interest cover	**238%**	226%	216%	174%	143%
Gearing	**61%**	62%	66%	62%	66%
Units of accommodation in management	**28,444**	27,953	27,213	25,847	25,480

Income and Expenditure Account Group Consolidated	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Total Turnover	**170.1**	186.3	140.2	130.4	134.0
Less: share of joint ventures' turnover	**(10.8)**	(5.6)	(5.1)	(0.6)	(0.3)
Group and Association turnover	**159.3**	180.7	135.1	129.8	133.7
Operating costs excluding impairment	**(109.0)**	(121.9)	(102.3)	(96.7)	(99.9)
Impairment	**-**	(4.8)	(1.6)	0.4	(6.3)
Operating costs	**(109.0)**	(126.7)	(103.9)	(96.3)	(106.2)
Operating Surplus	**50.3**	54.0	31.2	33.5	27.5
Share of operating surplus in joint venture	**6.0**	3.4	4.0	-	-
Operating Surplus incl. Joint Ventures	**56.3**	57.4	35.2	33.5	27.5
Surplus on sale of fixed assets	**18.1**	13.4	10.4	6.3	4.6
Net Interest payable and similar charges	**(31.7)**	(27.7)	(24.5)	(28.2)	(24.1)
Fair value writeback	**-**	-	-	9.5	-
Joint venture net interest	**(3.6)**	(3.4)	(2.9)	-	-
Tax on surplus on ordinary activities	**(1.8)**	(0.9)	(0.3)	-	-
Surplus for the Year	**37.3**	38.8	17.9	21.1	8.0
Operating Margin	**33.1%**	30.8%	25.1%	25.7%	20.5%
Operating margin excluding impairment	**33.1%**	33.4%	26.2%	25.4%	25.2%

NB: 2011 Group and core operating costs are lower than expected due to an impairment writeback of £347k in the year against a charge in 2010 of £5,817k. The charge in 2012 is £1,485k.

Operating and Financial Review
31 March 2014

Income and Expenditure Account Core Activities	**2014 £m**	2013 £m	2012 £m	2011 £m	2010 £m
Total Turnover	**139.4**	133.4	124.6	119.9	116.5
Operating costs excluding impairment	**(96.8)**	(95.0)	(94.3)	(87.7)	(87.3)
Impairment	**-**	(2.9)	(1.5)	0.3	(5.8)
Operating costs	**(96.8)**	(97.8)	(95.7)	(87.4)	(93.1)
Operating Surplus	**42.6**	35.6	28.9	32.5	23.4
Net Interest payable	**(31.7)**	(27.7)	(24.5)	(28.2)	(24.1)
Tax on surplus on ordinary activities	**(0.7)**	(0.9)	(0.3)	-	-
Surplus for the Year	**10.2**	7.0	4.1	4.3	(0.7)
Operating Margin	**30.6%**	26.7%	23.2%	27.1%	20.1%
Operating margin excluding impairment	**30.6%**	28.9%	24.4%	26.9%	25.1%

NB: 2011 Group and core operating costs are lower than expected due to an impairment writeback of £347k in the year against a charge in 2010 of £5,817k. The charge in 2012 is £1,485k.

Income and Expenditure Account Property Sales & Joint Ventures	**2014 £m**	2013 £m	2012 £m	2011 £m	2010 £m
Total Turnover - Group	**30.7**	52.9	15.5	10.6	17.5
Turnover excl. Joint Ventures	**19.9**	47.3	10.5	9.9	17.2
Operating costs excluding impairment	**(12.2)**	(26.9)	(8.0)	(9.0)	(12.6)
Impairment	**-**	(1.9)	(0.1)	0.1	(0.5)
Total Operating costs	**(12.2)**	(28.9)	(8.2)	(8.9)	(13.1)
Operating Surplus on Property Sales	**7.7**	18.4	2.3	1.0	4.1
Operating Surplus incl. Joint Ventrues	**13.7**	21.8	6.3	1.0	4.1
Surplus on sale of fixed assets	**18.1**	13.4	10.4	6.3	4.6
Fair value writeback	**-**	-	-	9.5	-
Joint venture interest payable	**(3.6)**	(3.4)	(2.9)	-	-
Tax on surplus on ordinary activities	**(1.1)**	-	-	-	-
Surplus for the Year	**27.1**	31.8	13.8	16.8	8.7
Operating Margin	**44.6%**	41.2%	40.6%	9.4%	23.4%
Operating margin excluding impairment	**44.6%**	44.8%	41.3%	8.5%	26.3%

NB: The accounts for 2010-11 reflect the adoption of the Statement of Recommended Practice (SORP) 2010 update, which resulted in a change of policy for the treatment of negative goodwill arising on acquisition. The table above has been restated to show the effect on the results and balances as though the policy were in effect in previous years.

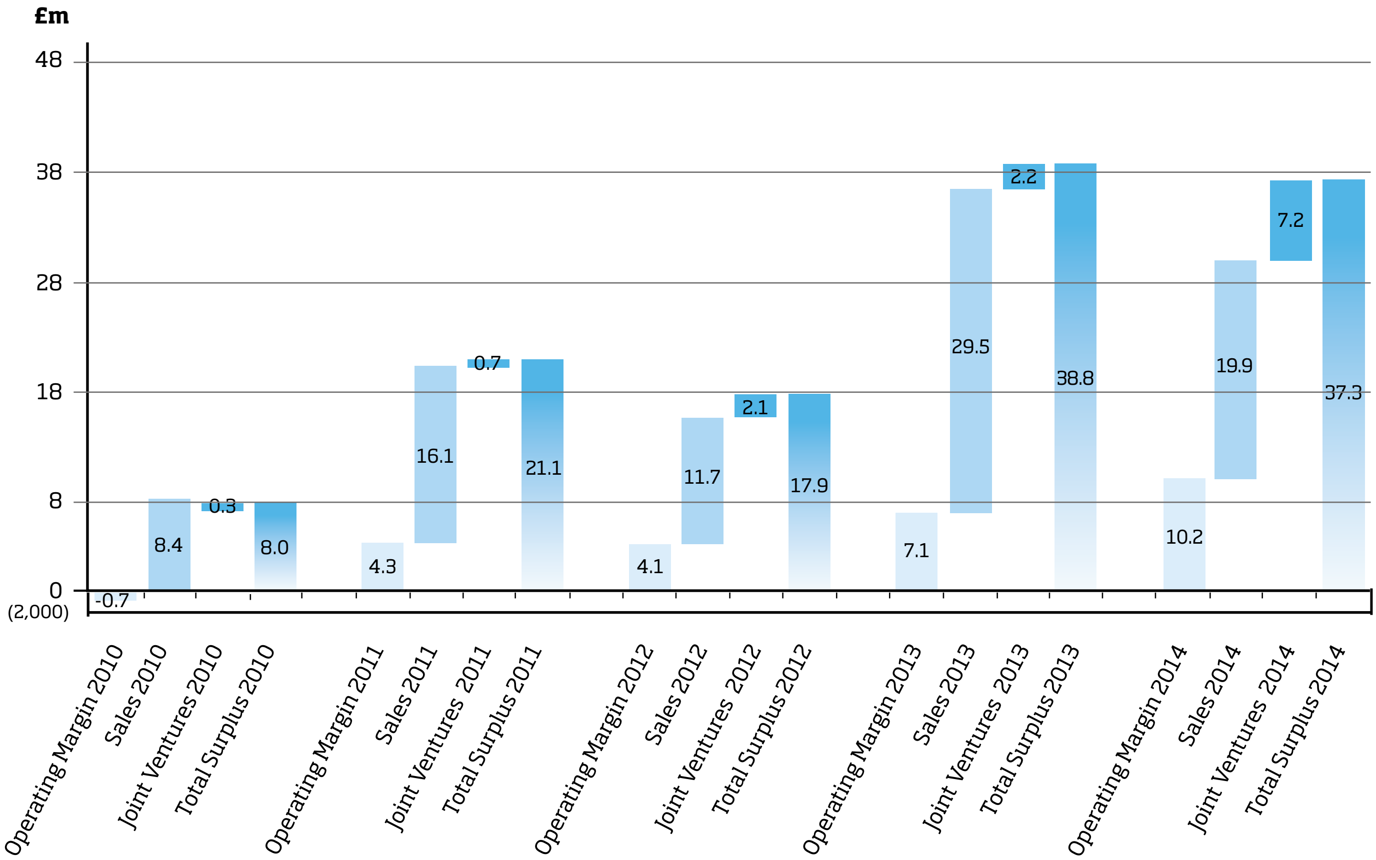
Accounting Policies

There have been no significant changes to the accounting policies in the year.

Operating and Financial Review

31 March 2014

Breakdown of annual surplus 2010 to 2014



The Group retained the highest ratings for governance and financial viability by the housing regulator, the Homes and Communities Agency (HCA)

Despite the drop in sales activity the Group still held its overall operating margin at 33% due to increased efficiencies.

Turnover and operating surplus

The Group had another successful year in 2013/14. Although gross turnover excluding our share in joint ventures reduced by £21.4 million (12%) from 2012/13 and operating costs reduced by £17.7 million (14%) , the downward movement in headline income is the result of comparatively abnormal property sales activity during 2012/13.

The 2013/14 surplus of £37.3 million shows a continuing strong performance for the Group. Although down by 3.7% on the previous year the underlying performance of the Group's core operations continued to improve steadily. The 30.6% margin on core activities is an increase of 6% on the 2012/13 margin of 28.9% and an increase of 22% over the past four years.

Despite the drop in sales activity the Group still held its overall operating margin at 33% due to increased efficiencies.

Like other social housing providers which continue to develop new social housing for rent the Group develops this with a mixture of housing for outright market sale and shared ownership. Profits on housing sold are used to cross subsidise our social housing. Additionally, during 2013/14 the Group sold a limited amount of social housing assets to other registered providers as part of a geographical stock rationalisation programme generating a surplus of £18.1m (2012/13 £13.4m), an increase of £4.7m.

Operating and Financial Review
31 March 2014

Investment from reserves	2014 £m	%	2013 £m	%
Investment in Housing stock	**1,758**		1,737	
Other net Assets	**25**		39	
	1,783		1,776	
Funded by:				
Reserves	**355**	**20%**	309	17%
Grants	**880**	**49%**	882	50%
Loans (net of cash)	**548**	**31%**	585	33%
Total Funding	**1,783**	**100%**	1,776	100%

Reserves

Our surplus of £37.3 million has resulted in accumulated revenue reserves growing to £355.0 million at 31st March 2014. We will continue to invest this in providing new homes, having ensured that we are able to cover the ongoing high quality of our homes and services.

Impairment

We have reviewed the values of assets included in the Balance Sheet in light of current economic conditions to ensure that these values do not exceed the future benefits from the continued use of these assets. In particular we have reviewed the current values of our land held for future development to make sure that where the expected benefits will not reach the original values we have reduced these to the level of those expected benefits. We have concluded that no additional charge for impairment should be made this year (2013: £4.8 million) as ongoing development projects have been prudently provided for in past years.

Pension costs

The most recent Southern Housing Group scheme triennial valuation was completed during the year 2013/14. During the year the Group closed the SHO Pension Scheme, the undertakings of which were transferred with the beneficiaries to the SHGL Pension Scheme.

Gift aid

In recent years Group policy has been to gift aid most surpluses from subsidiaries at a level to minimise their Corporation Tax liability. This year SHO has gift aided £10.4 million (2013: £18.5 million) and has retained a profit of £4.0 million to be taxed in order to boost its reserves by the net £3.3 million. SSL has made no gift in order to retain its surplus and commence restoration of positive reserves (2013 £1.0 million) and SDSL gift aided £0.5 million (2013: £1.5 million) to the Group.

Interest

Net interest payable has increased by £4.0 million in the year but remains at historically low rates. The average cost of funds at 31 March 2014 is 4.6%.

Tangible fixed assets

The value of housing properties at cost has increased to £1,758 million (2013: £1,737 million) due to the completion of over 256 affordable new homes.

Loans and cash held

Housing loans have decreased by £31 million during the year to £707 million. Cash balances of £162 million held at 31 March 2014 were £6 million greater than at 31 March 2013 as a result of the capital market issue which took place in January. The comfort of a twenty year fixed price of funds at a rate well within the business plan tolerance will cost the Group an element of negative carry but will provide certainty with operational flexibility. Cash held is higher than expected at the end of March due to short term delays to going on site with a handful of key development projects. Expenditure on planned new housing projects will be £80m over the next 12 months and £187m over the next two years.

Our Employment Skills officers have engaged with 306 residents, supported 148 into training and work experience opportunities of which 120 gained permanent work. In this way we created opportunity and stability for residents and SHG communities.

Operating and Financial Review

31 March 2014

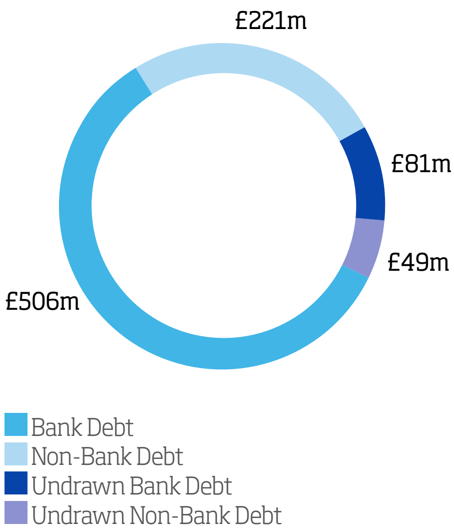
Towards the close of 2013/14 we created Southern Maintenance Services, our first in-house maintenance service. We are confident of producing savings of approximately £0.25m in the first year through a combination of direct employment of operatives and reduction in VAT.

We continue to aim for the development of the best fuel efficiency in our new homes. A newbuild project on the Isle of Wight is under construction utilising the 'Passivhaus' methodology which seeks to reduce energy demand by using 'Fabric First' approaches to construction and maximising opportunities for passive solar gain.

Treasury management

As at 31 March 2014 the group had £857 million of committed debt funding with £727 million drawn (2012/13: £745 million). The group seeks to hold a diversified debt portfolio with 20% coming from the capital markets and 80% from banks and building societies.

Group Funding Profile
as at 31 March 2014



The Group has limited refinancing risk in the next five years with less than 10% of the debt maturing within this period. This risk is further mitigated by the Group being contracted to issue another £49 million of bonds in 2019 to match an equivalent amount of bank debt maturing with an option to issue up to a further £50 million prior to this date.

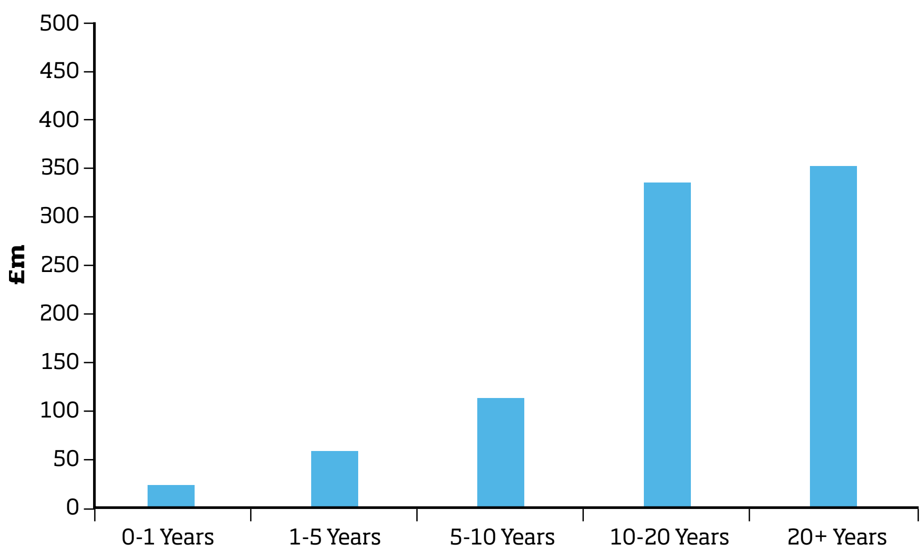
As at 31 March 2014 the Group had available £130 million undrawn funds and £162 million cash in hand being total liquidity of £292 million which is sufficient to fund all contractual commitments and in addition all non contracted pipeline schemes.

The Group's Treasury Management Policy sets out the framework within which we work to protect against and control risk and exposure in respect of our borrowings and cash holdings.

In order to achieve this, the Policy provides a strategy for:

i) Group borrowings and subsequent debt management.
ii) Investment of surplus funds - both short and long term.
iii) Relationship with bankers, lenders and advisors.

Group Debt Maturity Profile at 31 March 2014



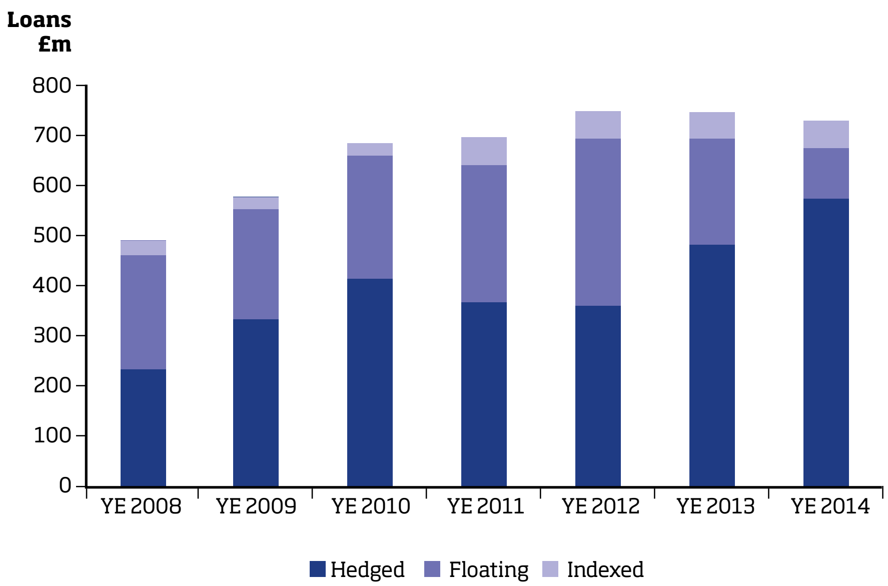
Operating and Financial Review
31 March 2014

All the registered providers in the Group have the ability in their rules to manage interest rate risk. A total of six stand alone derivatives have been transacted by SHGL with a notional principal of £150 million which have continued to provide a saving in interest cost during 2013/14. We do not use derivatives for speculative purposes or in such a way that exposes the Group further to market forces. The Treasury Committee regularly reviews the creditworthiness of the parties with whom we do business.

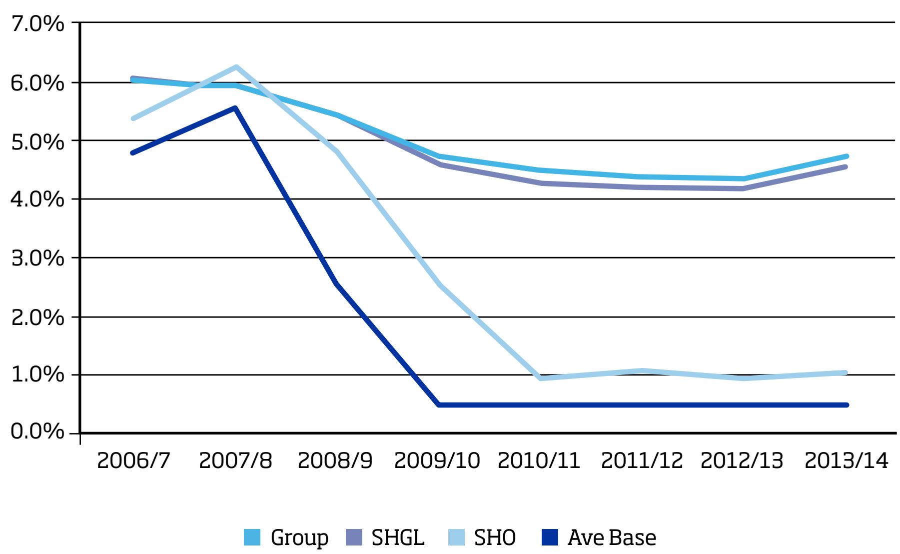
Our treasury policy is to have a mix of fixed/hedged, variable and index linked interest rate loans. Under normal circumstances rates should be fixed/hedged on no less than 50% of total debt. Due to the unusually low interest rate environment a larger than usual proportion of the debt has been fixed to lock in this benefit.

The average cost of interest for the Group during the year was 4.6% (2012/13: 4.2%) which continues to reflect the low interest rate environment.

Interest Exposure Profile



Average Interest Rate Profile



The Group has specific named authorised deposit counterparties where the maximum exposure and terms limits are £15 million up to 12 months or £25 million up to 3 months. For other non-named deposit counterparties where at the time of the investment they hold a short-term credit rating of A-1/P-1/F1 (or better) the maximum exposure and terms limits are £3 million up to 6 months or £5 million up to 3 months. For deposits with the Group's principal clearing bank there is a £75m total deposit maximum limit for terms not exceeding 3 months. Funds need to be deposited with at least two approved counterparties at any one time.

Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the 2010 SORP, Accounting for Registered Social Housing Providers and has also met the requirements of the FCA.

The consolidated financial statements are published on the Group's website: **www.shgroup.org.uk**

Report of the Board

Statement of Board's Responsibilities

The board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. It is also responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for the maintenance and integrity of the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Internal Control

Corporate governance

The Association complies with the principal recommendations of the National Housing Federation's Code of Governance:

Internal Controls

The Board is responsible for the Association's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates ongoing processes for identifying, evaluating and managing the significant risks that it faces. They have been in place for the year to 31 March 2014 and up to the date of the approval of the Annual Report and the Financial Statements. The processes are reviewed at least annually by the Board and twice annually by the Audit Committee.

Main policies established to provide effective internal control

Risk assessment

The Group's objectives are established within the context of the Group's Corporate Plan. There is a process of cascading these objectives throughout the Group to each operational team and to individual staff members' targets. Assessment of resultant risk is mapped for each Group member organisation. The Group's risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval.

Control environment

Authority, responsibility and accountability are set out in the following ways:

- Standing Orders and Delegated Authorities
- Policies and procedures manuals in all key areas
- Codes of Conduct for Board and Committee members, and for staff
- Staff job descriptions and supervisory procedures

Information

There is a timely system for reporting progress in the Group, at many levels. The Boards and their sub committees receive regular and extensive reports on all key areas of performance.

Report of the Board

Monitoring

The Group has a comprehensive internal audit programme which encompasses the Association. It is undertaken by KPMG LLP, Chartered Accountants. The internal audit programme is designed to review key areas of risk for the Group. The internal auditors report to the Group Head of Compliance. Each audit assignment is sponsored by a senior director who approves the scope of the work and takes responsibility for ensuring that recommendations are acted upon. Group wide progress on completing work on recommendations is monitored by the Head of Compliance. KPMG LLP meet quarterly with the Chief Executive and report to each meeting of the Group Audit Committee on their recent and prospective activity. They also meet informally with the Chair of Audit.

The risk management process incorporates reviews of high level risks across the Group, including the identification of newly emerging risks.

Both the internal audit and risk management activities incorporate follow up reporting on actions identified for improving the Association's control environment.

Review of effectiveness

The Board has reviewed the effectiveness of the Group's internal controls through the work of the Audit Committee, which regularly reports to the Board. In addition the Group Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the period under review and up to the date of approval of this report. The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2014 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

Disclosure of information to auditors

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 each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Independent Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Association.

Malcolm Groves
Chairman
On behalf of the Board
7 July 2014

Independent Auditors' Report

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2014 and of the group's and association's income and expenditure and the group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Southern Housing Group Limited, comprise:

- the Group and Association Balance Sheets as at 31 March 2014;
- the Group and Association Income and Expenditure Accounts for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Group and Association Statement of Total Recognised Surpluses and Deficits for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report

Other matters on which we are required to report by exception

Adequacy of accounting records, system of control and information and explanations received

Under the Industrial and Provident Societies Acts 1965 to 2002 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the association's members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Kim Green
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 July 2014

(a) The maintenance and integrity of the Southern Housing Group Limited (of 'Southern Housing Group') website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audited financial statements and notes

Parkside Place, London

Income and expenditure accounts
for the year ended 31 March 2014

Income and expenditure accounts	Note	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Turnover		170,062	186,257	151,789	161,431
Less: share of joint ventures' turnover		(10,786)	(5,553)	-	-
Group and Association turnover	2	159,276	180,704	151,789	161,431
Operating costs	2	(109,037)	(126,706)	(100,868)	(108,041)
Operating surplus		50,239	53,998	50,921	53,390
Share of operating surplus in joint ventures	13	6,032	3,363	-	-
Total operating surplus including share in joint ventures		56,271	57,361	50,921	53,390
Profit on sale of fixed assets	5	18,138	13,351	12,193	9,281
Interest receivable and other income	6	2,080	2,174	1,693	1,931
Interest payable and similar charges					
Group	7	(33,440)	(29,582)	(33,198)	(29,285)
Joint ventures	7	(3,596)	(3,356)	-	-
Other finance costs	8	(387)	(291)	(387)	(291)
Surplus on ordinary activities before taxation	9	39,066	39,657	31,222	35,026
Tax on surplus on ordinary activities	10	(1,758)	(904)	-	-
Surplus for the year		37,308	38,753	31,222	35,026

All results for the current and prior years are attributable to continuing operations. The notes on pages 34 to 65 form part of these financial statements.

Statements of total recognised surpluses and deficits	Note	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Surplus for the year from parent and subsidiaries		34,872	38,746	31,222	35,026
Share of surplus in joint ventures		2,436	7	-	-
Surplus for the year		37,308	38,753	31,222	35,026
Unrealised surplus on investments	24	195	424	195	424
Actuarial gain/(loss) relating to pension schemes	27	8,166	(4,215)	8,166	(4,215)
Total recognised surplus relating to the year		45,669	34,962	39,583	31,235

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Balance sheets
as at 31 March 2014

Balance Sheets	Note	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Fixed assets					
Housing properties at cost less depreciation	11	1,758,325	1,737,353	1,672,447	1,644,604
Social Housing Grant and other grants	11	(880,215)	(881,873)	(833,089)	(831,996)
Net book value of housing properties		878,110	855,480	839,358	812,608
Other tangible fixed assets	12	40,494	39,546	40,127	39,171
Total tangible fixed assets		918,604	895,026	879,485	851,779
Investments					
Investments at market value	13a	12,753	12,644	12,753	12,644
Investment in subsidiaries	13b	-	-	12,241	11,599
Investment in joint ventures - share of gross assets	13b	94,998	88,958	25	25
Investment in joint ventures - share of gross liabilities	13b	(91,666)	(87,512)	-	-
Investment properties	13c	926	926	926	926
Homebuy and starter home initiatives	13c	9,180	9,171	300	300
Social Housing Grant	13c	(8,732)	(8,714)	(300)	(300)
		936,063	910,499	905,430	876,973
Current assets					
Properties for sale	14	29,364	29,952	16,218	17,825
Debtors	15	21,720	23,273	21,038	28,508
Cash at bank and in hand		162,316	155,986	137,684	121,364
		213,400	209,211	174,940	167,697
Creditors: Amounts falling due within one year	16	(70,868)	(49,520)	(57,052)	(35,687)
Net current assets		142,532	159,691	117,888	132,010
Total assets less current liabilities		1,078,595	1,070,190	1,023,318	1,008,983
Creditors: Amounts falling due after more than one year					
Housing loans	17	706,563	737,945	682,134	700,306
Recycled capital grant fund	18	8,402	6,002	3,920	2,686
Disposal proceeds fund	19	5	166	5	166
Deferred income	20	985	1,181	985	1,181
Provisions for liabilities and charges	21	80	52	25	25
Pension liability	27	7,540	15,493	7,540	15,493
Capital and reserves					
Share capital	22	-	-	-	-
Revenue reserve	23	352,145	306,671	325,834	286,446
Revaluation reserves	24	2,445	2,250	2,445	2,250
Designated and restricted reserves	25	430	430	430	430
		1,078,595	1,070,190	1,023,318	1,008,983

The financial statements on pages 30 to 65 were approved by the Board of Directors on 7 July 2014 and signed on its behalf by:

Malcolm Groves
Chairman

Paul Rees
Board Member

Edward Nicholl
Secretary

Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 31055R)

Consolidated cash flow statement
for the year ended 31 March 2014

Consolidated cashflow statement	Note	2014 £000s	2013 £000s
Net cash inflow from operating activities	(a)	72,727	89,466
Distributions from Joint Ventures		550	-
Interest received Group		1,590	1,857
Interest received from Joint Ventures		585	317
Interest paid		(35,800)	(31,173)
Returns on investments and servicing of finance		(33,625)	(28,999)
UK corporation tax paid		(1,030)	-
Housing properties purchased		(66,263)	(124,612)
Capital grants received		18,525	38,893
Other fixed assets purchased		(3,798)	(2,137)
Housing and other fixed asset sale receipts		37,211	36,769
Capital expenditure		(14,325)	(51,087)
Investment sale		202	209
Financial investment		202	209
Net cash inflow before management of liquid resources and financing	(b)	24,499	9,589
Financing and management of liquid resources			
Debt due within one year	(c)	13,542	467
Debt due after one year	(c)	(31,711)	(3,796)
		(18,169)	(3,329)
Increase in cash in the year	(c)	6,330	6,260

Notes to the consolidated cash flow statement
for the year ended 31 March 2014

Notes to the Consolidated Cashflow Statement	2014 £000s	2013 £000s
a) Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	**56,271**	57,361
Depreciation charges	**15,044**	13,609
Component write off	**5,168**	3,329
Share of Joint venture surplus	**(6,032)**	(3,363)
Impairment	**-**	4,662
Decrease in stock of homes for re-sale	**777**	17,334
Decrease/(increase) in debtors	**1,687**	(3,115)
Decrease in creditors	**(216)**	(312)
Increase/(decrease) in provisions for liabilities and charges	**28**	(39)
Net cash inflow from operating activities	**72,727**	89,466
b) Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	**6,330**	6,260
Cash inflow/(outflow) from:		
New loans	**(74,976)**	-
Loan repayments	**93,145**	3,329
Change in net debt resulting from cashflows	**24,499**	9,589
Change in net debt resulting from non cashflows	**(329)**	(35)
Movement in net debt in the year	**24,170**	9,554
Net debt at the start of the year	**(585,926)**	(595,480)
Net debt at the end of the year	**(561,756)**	(585,926)

	At 1 April 2013 £000s	Non Cash Flow £000s	Cash Flow £000s	At 31 March 2014 £000s
c) Analysis of net debt				
Cash at bank and in hand	155,986	-	6,330	**162,316**
Debt due within one year:				
Housing loans	(3,967)	-	(13,542)	**(17,509)**
Debt due after more than one year:				
Housing loans	(737,945)	(329)	31,711	**(706,563)**
Total	(585,926)	(329)	24,499	**(561,756)**

Notes to the financial statements
for the year ended 31 March 2014

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Generally Accepted Accounting Standards in the United Kingdom, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2010, the Accounting Direction for Social Housing in England from April 2012, and on the historical cost basis (as modified by the revaluation of certain investments). The accounting policies have been consistently applied.

Each accounting policy adopted by the Board of Directors of the Southern Housing Group is presented as an introduction to the note to the Financial Statements to which the policy applies.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Southern Housing Group Limited (SHGL) (Parent Body), Southern Home Ownership Limited (SHO), Southern Space Limited (SSL) and Southern Development Services Limited (SDSL) and are consolidated in accordance with Industrial and Provident Societies (Group Accounts) Regulations 1969 and the Accounting Direction for Social Housing in England from April 2012. The Group has taken advantage of the exemption in FRS 8 - 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the Group, except those required by the Direction in Note 31.

The Association has taken advantage of the exemptions under FRS 1 – 'Cash flow statement' and has not prepared a cash flow statement.

The Joint Venture investments in Triathlon Homes LLP and Affinity Housing Services (Reading) LLP are consolidated using the gross equity accounting method as per FRS9. SSL has accounted for its investment in Triathlon Homes LLP as an investment at cost as it is exempt from preparing consolidated financial statements and under FRS9 it need not disclose its share of the assets and liabilities of the joint venture as it is disclosed in these Group Financial Statements.

The Parent Body, under certain circumstances, has the power to appoint and remove the Board members of Southern Home Ownership Limited, thereby establishing a quasi-subsidiary relationship, which requires that their results should be consolidated with Southern Housing Group Limited.

Going concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

2. Particulars of turnover, operating costs and operating surpluses

Policies:

Turnover

Turnover represents rental and service charge income receivable from properties owned by the Group and those managed for third parties, fees receivable (excluding VAT) when they fall due; and revenue grants from the public bodies are credited to the Income & Expenditure Account in the same period as the expenditure to which they relate. It also includes receipts from the sale of the 1st tranche of shared ownership properties, proceeds from the sale of properties developed for the open market which are recognised on legal completion, and fees receivable for Design and Build services.

Service charges

The Group operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Until these surpluses are returned they are held on the balance sheet as a creditor and a deficit is held as a debtor.

Notes to the financial statements
for the year ended 31 March 2014

2. Particulars of turnover, operating costs and operating surpluses (continued)

Particulars of turnover, operating costs and operating surpluses Group	2014 Turnover £000s	2014 Cost of Sales £000s	2014 Operating Costs £000s	2014 Operating Surplus £000s	2013 Turnover £000s	2013 Cost of Sales £000s	2013 Operating Costs £000s	2013 Operating Surplus £000s
Social housing lettings	134,805	-	(94,416)	**40,389**	129,154	-	(95,367)	33,787
Other social housing activities								
Charges for support services	3,024	-	(2,330)	**694**	2,839	-	(2,185)	654
Current asset property sales	7,007	(4,868)	-	**2,139**	14,282	(10,158)	-	4,124
Other	1	-	-	**1**	-	-	-	-
Non-social housing activities								
Commercial income	1,359	-	-	**1,359**	1,389	-	-	1,389
Market renting lettings	33	-	(14)	**19**	23	-	(20)	3
Open Market Sales	12,856	(7,374)	-	**5,482**	32,979	(18,653)	-	14,326
Impairment of Open Market housing properties	-	-	-	**-**	-	-	(125)	(125)
Other	191	-	(35)	**156**	38	-	(198)	(160)
Total	**159,276**	**(12,242)**	**(96,795)**	**50,239**	180,704	(28,811)	(97,895)	53,998

Particulars of income and expenditure from social housing lettings Group	General Needs £000s	Supported and Older People's Housing £000s	Affordable Rent £000s	Intermediate Rent £000s	Shared Ownership £000s	2014 Total £000s	2013 Total £000s
Rent receivable net of identifiable service charges	87,173	12,542	1,774	7,993	10,948	**120,430**	115,136
Service charges receivable	8,855	1,336	-	484	3,615	**14,290**	13,945
Gross rental income	**96,028**	**13,878**	**1,774**	**8,477**	**14,563**	**134,720**	129,081
Income from properties managed for third parties	85	-	-	-	-	**85**	73
Turnover from social housing lettings	**96,113**	**13,878**	**1,774**	**8,477**	**14,563**	**134,805**	129,154
Management	(24,064)	(3,466)	(548)	(1,257)	(5,638)	**(34,973)**	(33,103)
Service charge costs	(10,140)	(1,459)	(231)	(536)	(2,995)	**(15,361)**	(15,833)
Rent losses from bad debts	(78)	(11)	(2)	(4)	(51)	**(146)**	(774)
Routine maintenance	(15,920)	(2,291)	(362)	(1,114)	-	**(19,687)**	(19,916)
Planned maintenance	(3,113)	(448)	(71)	(405)	-	**(4,037)**	(4,115)
Depreciation	(16,532)	(2,379)	(376)	(925)	-	**(20,212)**	(16,938)
Impairment	-	-	-	-	-	**-**	(4,688)
Operating costs on social housing lettings	**(69,847)**	**(10,054)**	**(1,590)**	**(4,241)**	**(8,684)**	**(94,416)**	(95,367)
Operating surplus on social housing lettings	**26,266**	**3,824**	**184**	**4,236**	**5,879**	**40,389**	33,787
Void Losses	1,997	215	99	283	-	**2,594**	2,390

Major repairs are included in planned and cyclical maintenance.

Notes to the financial statements

for the year ended 31 March 2014

2. Particulars of turnover, operating costs and operating surpluses (continued)

Particulars of turnover, operating costs and operating surpluses Association	2014 Turnover £000s	2014 Cost of Sales £000s	2014 Operating Costs £000s	2014 Operating Surplus £000s	2013 Turnover £000s	2013 Cost of Sales £000s	2013 Operating Costs £000s	2013 Operating Surplus £000s
Social housing lettings	129,504	-	(93,804)	**35,700**	124,252	-	(96,449)	27,803
Other social housing activities								
Charges for support services	3,024	-	(2,330)	**694**	2,839	-	(2,185)	654
Current asset property sales	6,655	(4,734)	-	**1,921**	11,829	(9,407)	-	2,422
Other including gift aid	10,885	-	-	**10,885**	21,036	-	-	21,036
Non-social housing activities								
Non social housing activities	1,342	-	-	**1,342**	1,370	-	-	1,370
Other	379	-	-	**379**	105	-	-	105
Total	**151,789**	**(4,734)**	**(96,134)**	**50,921**	161,431	(9,407)	(98,634)	53,390

Particulars of income and expenditure from social housing lettings Association	General Needs £000s	Supported and Older People's Housing £000s	Affordable Rent £000s	Intermediate Rent £000s	Shared Ownership £000s	2014 Total £000s	2013 Total £000s
Rent receivable net of identifiable service charges	87,907	12,648	1,774	7,530	5,717	**115,576**	110,460
Service charges	8,855	1,336	-	472	2,054	**12,717**	12,593
Gross rental income	**96,762**	**13,984**	**1,774**	**8,002**	**7,771**	**128,293**	123,053
Income from properties managed for third parties	289	-	-	-	922	**1,211**	1,199
Turnover from social housing lettings	**97,051**	**13,984**	**1,774**	**8,002**	**8,693**	**129,504**	124,252
Management	(24,889)	(3,581)	(566)	(1,264)	(5,505)	**(35,805)**	(35,386)
Service charge costs	(10,140)	(1,459)	(231)	(515)	(2,243)	**(14,588)**	(15,036)
Rent losses from bad debts	(78)	(11)	(2)	(4)	(17)	**(112)**	(791)
Routine maintenance	(15,920)	(2,291)	(362)	(809)	-	**(19,382)**	(19,596)
Planned maintenance	(3,113)	(448)	(71)	(158)	-	**(3,790)**	(4,100)
Depreciation	(16,532)	(2,379)	(376)	(840)	-	**(20,127)**	(16,852)
Impairment	-	-	-	-	-	-	(4,688)
Operating costs on social housing lettings	**(70,672)**	**(10,169)**	**(1,608)**	**(3,590)**	**(7,765)**	**(93,804)**	(96,449)
Operating surplus on social housing lettings	**26,379**	**3,815**	**166**	**4,412**	**928**	**35,700**	27,803
Void Losses	**1,997**	**215**	**99**	**269**	-	**2,580**	2,388

Major repairs are included in planned and cyclical maintenance.

Notes to the financial statements
for the year ended 31 March 2014

3. Board and senior executive emoluments

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, the Group Chief Executive and any other person who is a member of the Group Strategy Team) was as follows:

Group	2014 £000s	2013 £000s
Emoluments	769	684
Compensation for loss of office	-	49
Pension contributions	108	99
Non Executive Emoluments	67	55
	944	887

Emoluments paid to directors in bands including pensions and employers NI, benefits in kind and non-consolidated bonus	No.	No.
£0 - £10,000	13	15
£10,000 - £20,000	1	-
£100,000 - £110,000	1	1
£140,000 - £150,000	-	1
£150,000 - £160,000	1	1
£160,000 - £170,000	1	-
£170,000 - £180,000	-	1
£180,000 - £190,000	1	-
£250,000 - £260,000	-	1
£260,000 - £270,000	1	-

The remuneration (excluding pension contributions but including non-consolidated bonus) payable to the Group Chief Executive, who is also the highest paid director, were:	No.	No.
Salary	188,971	183,571
Benefits in kind	5,532	5,324
Total remuneration	194,503	188,895

The Group Chief Executive is an ordinary member of the Group pension scheme, a contributory scheme, and no enhanced or special terms apply.
One Board member waived entitlement to remuneration.

Remuneration of the Group Executive Team was:	2014 £000s	2013 £000s
Tom Dacey	195	189
Rosemary Farrar	142	140
Dale Meredith	141	132
Paul Smith	121	108
Kate Nelson (Part Year)	89	-

Chief Executive and Chairman's remuneration on a £ per unit basis	2014 £/Unit	2013 £/Unit
Chief Executive*	6.84	6.76
Chairman (Part Year)	0.33	-

*The remuneration on a £ per unit basis is restated for 2013 to reflect corrected calculation basis. The previous Chairman waived his entitlement to remuneration. The current Chairman took office on 8th July 2013. Emoluments include salary, allowances, benefits in kind, non-consolidated bonus, pension contribution and NI.
Remuneration includes salary, allowances, benefits in kind and non-consolidated bonus.
These are in accordance with the Accounting Direction for Social Housing in England from 2012.

Notes to the financial statements
for the year ended 31 March 2014

3. Board and senior executive emoluments (continued)

The Remuneration and Nominations Committee sets the pay of the Executive Directors at a level to attract and retain the talent required to lead the Group. In doing this it takes account of a market comparative exercise which is carried out annually by an independent body. Our aim is not to pay the highest salaries in the market but to remain competitive. During the year executive salaries increased by 3.31% for the Executive Team and by 2.6% for the rest of staff in line with prevailing conditions in the wider market.

The pension schemes available to the Executive Directors are offered on the same terms as to other staff. Executive Directors participate in a bonus scheme, non-consolidated for pension purposes whereas staff below Executive Director receive an annual performance related pay award. The awards in both cases are determined by personal performance against objectives and targets.

4. Employee information

Monthly average number of full-time equivalent employees (FTE = 35 hours per week):

	Group 2014 FTE	Group 2013 FTE	**Association 2014 FTE**	Association 2013 FTE
Housing Management	**575**	570	**575**	**570**
Office Staff	**225**	219	**222**	**216**
Average number of full-time equivalent employees	**800**	789	**797**	**786**

Staff costs (for the above employees)	**Group 2014 FTE**	Group 2013 FTE	**Association 2014 FTE**	Association 2013 FTE
Wages and salaries	**23,419**	22,665	**23,199**	**22,325**
Social security costs	**2,218**	2,144	**2,192**	**2,110**
Other pension costs	**2,277**	2,076	**2,250**	**2,045**
	27,914	26,885	**27,641**	**26,480**

Remuneration paid to staff including Executives in bands from £60,000 upwards:

	Group 2014 FTE	Group 2013 FTE
£60,000 - £70,000	**8**	9
£70,000 - £80,000	**11**	9
£80,000 - £90,000	**4**	3
£90,000 - £100,000	**4**	3
£100,000 - £110,000	**-**	1
£110,000 - £120,000	**-**	1
£120,000 - £130,000	**2**	-
£130,000 - £140,000	**-**	2
£140,000 - £150,000	**2**	-
£180,000 - £190,000	**-**	1
£190,000 - £200,000	**1**	-

Remuneration includes salary, allowances, benefits in kind and non-consolidated bonus in accordance with the Accounting Direction for Social Housing in England from 2012.

Notes to the financial statements
for the year ended 31 March 2014

5. Profit on sale of fixed assets

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Sale proceeds	**38,021**	36,812	**27,105**	29,735
Cost of sales	**(19,561)**	(23,418)	**(14,657)**	(20,439)
Incidental sale expenses	**(322)**	(43)	**(255)**	(15)
	18,138	13,351	**12,193**	9,281

6. Interest receivable and other income

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Income from investments	**589**	461	**453**	415
Income from bank deposits	**1,491**	1,713	**1,240**	1,516
	2,080	2,174	**1,693**	1,931

7. Interest payable and similar charges

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
On loans	**35,799**	31,961	**35,433**	31,485
Less: interest payable capitalised	**(2,298)**	(2,324)	**(2,174)**	(2,145)
Joint venture interest payable	**3,596**	3,356	**-**	-
	37,097	32,993	**33,259**	29,340
Deferred Interest and Indexation				
Index linked loan	**75**	81	**75**	81
Deferred income written back	**(136)**	(136)	**(136)**	(136)
	37,036	32,938	**33,198**	29,285

Interest is capitalised on properties under construction using the weighted average interest rate for borrowing which was 4.59% per annum for the Group (2013: 4.19% per annum).
Deferred income written back relates to debenture premium, the policy for which is in Note 17

8. Other finance costs

	Group and Association 2014 £000s	Group and Association 2013 £000s
Group pension scheme		
Expected return on pension scheme assets	**1,336**	1,265
Interest on pension scheme liabilities	**(1,627)**	(1,463)
Isle of Wight Council pension scheme		
Expected return on pension scheme assets	**232**	222
Interest on pension scheme liabilities	**(328)**	(315)
	(387)	(291)

Notes to the financial statements
for the year ended 31 March 2014

9. Surplus on ordinary activities before taxation

Surplus on ordinary activities before tax for the year is stated after charging:

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Depreciation:				
Property	**12,597**	11,718	**12,518**	11,639
Other tangible fixed assets	**2,447**	2,467	**2,441**	2,459
Component write off	**5,168**	3,329	**5,167**	3,329
Impairment	**-**	4,813	**-**	4,688
Operating leases:				
Property	**256**	248	**256**	248
Other equipment	**184**	179	**184**	179
Auditors' remuneration:				
External audit fee (including expenses, excluding vat)	**131**	103	**111**	83
Non audit fee (including expenses, excluding vat)	**62**	-	**62**	-

10. Tax on surplus on ordinary activities

Policies:

Taxation

No taxation is payable on the charitable surpluses of the Parent Body. Taxation is chargeable on the surpluses of SHO, SSL and SDSL. Surpluses either in whole or in part are transferred by Gift Aid. The Group is registered for Value Added Tax. As the majority of group activities are exempt from VAT the recovery under partial exemption is minimal.

Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Note: **UK Corporation tax**	**Group 2014 £000s**	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Current tax at 23% (2013:24%)	**1,758**	904	**-**	-

The current tax charge for the year is lower (2013:lower) than the standard rate of corporation tax in the UK (23% (2013:24%))
The differences are explained below.

	Group 2014	Group 2013	Association 2014	Association 2013
Current tax reconciliation				
Surplus on ordinary activities before tax	**37,180**	39,650	**31,222**	35,026
Share of joint venture taxable surplus	**3,341**	1,891	**-**	-
Less surplus from charitable activities	**(31,222)**	(35,026)	**(31,222)**	(35,026)
Taxable surplus on ordinary activities before tax	**9,299**	6,515	**-**	-
Current tax at 23% (2013:24%)	**2,138**	1,564	**-**	-
Effects of:				
Non taxable income	**(92)**	-	**-**	-
Indexation allowances in year	**(157)**	(81)	**-**	-
Utilisation of tax losses	**(41)**	(317)	**-**	-
Expenses not deductible/(income not taxable)	**16**	(23)		
Depreciation for year in excess of capital allowances	**20**	21	**-**	-
Other timing differences	**8**	-		
Adjustment to tax charge in respect of previous years	**(134)**	(260)	**-**	-
Total current tax charge (see above)	**1,758**	904	**-**	-

Factors that may affect future tax charges.
A number of changes to the UK corporation tax system were announced in the March 2013 UK Budget. These were substantively enacted as part of the Finance Bill on 2 July 2013. These reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.
These changes had been substantively enacted at the balance sheet date.

Notes to the financial statements
for the year ended 31 March 2014

11. Tangible fixed assets: housing properties

Policies:

Housing properties

Housing properties are held at cost less the amount of grants received towards their costs and accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed. It is Group policy to ensure resident shared owners meet their obligations of maintaining the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual values and long economic lives.

Depreciation and impairment

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following useful economic lives:

Housing properties held for letting:

Structure	100 years
Major components	
Bathroom	30 years
Heating system Gas	15 years
Heating system Electric	25 years
Kitchen	20 years
Roof (Pitched)	60 years
Roof (Flat)	20 years
Windows	30 years
Wiring	30 years

For all properties impairment reviews are carried out on an annual basis to ensure the carrying value in the balance sheet does not exceed the recoverable amount.

Social housing grant

Where developments have been financed wholly or partly by Social Housing Grant the cost of those developments have been reduced by the grant received and receivable. Social Housing Grant released on sale of a property may be repayable, but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors. Social Housing Grant received in advance in respect of housing properties in the course of construction is shown as a current liability.

Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants received and receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. On disposal grants are dealt with in accordance with the terms of the original agreement.

Notes to the financial statements
for the year ended 31 March 2014

11. Tangible fixed assets: housing properties (continued)

Group	Housing Properties Held for Letting £000s	Housing Properties for Letting under construction £000s	Shared Ownership housing properties £000s	Shared Ownership housing properties under construction 2014 £000s	Total £000s
Cost					
At 1 April 2013	1,516,788	63,280	220,082	17,617	**1,817,767**
*Reclassification	-	-	71	(71)	**-**
Reclassification to Homebuy Investments	-	-	(376)	-	**(376)**
Schemes completed	41,302	(44,755)	16,334	(12,881)	**-**
Additions: New properties	23,618	-	53	16	**23,687**
Existing properties	11,003	28,007	-	10,910	**49,920**
Components written off	(2,733)	-	-	-	**(2,733)**
Transfer to stock	(68)	-	(4,753)	(211)	**(5,032)**
Disposals	(21,972)	-	(12,274)	-	**(34,246)**
At 31 March 2014	1,567,938	46,532	219,137	15,380	**1,848,987**
Social Housing Grant					
At 1 April 2013	(720,764)	(32,195)	(86,225)	(2,249)	**(841,433)**
*Reclassification	18	2,887	(1,194)	(1,711)	**-**
Reclassification to Homebuy Investments	-	-	330	-	**330**
Transfer to current liabilities	-	5,943	-	328	**6,271**
Schemes completed	(23,274)	24,407	(3,241)	2,108	**-**
Additions	-	(18,321)	-	(1,086)	**(19,407)**
Transfer to recycled capital grant/disposal proceeds fund	421	-	4,360	-	**4,781**
Disposals	9,455	-	-	-	**9,455**
At 31 March 2014	(734,144)	(17,279)	(85,970)	(2,610)	**(840,003)**
Other Grants					
At 1 April 2013	(36,620)	(1,444)	(2,071)	(305)	**(40,440)**
Additions	-	(266)	-	(30)	**(296)**
Disposals	418	-	106	-	**524**
At 31 March 2014	(36,202)	(1,710)	(1,965)	(335)	**(40,212)**
Accumulated Depreciation					
At 1 April 2013	80,414	-	-	-	**80,414**
Charge for year	12,597	-	-	-	**12,597**
Eliminated in respect of disposals	(2,349)	-	-	-	**(2,349)**
At 31 March 2014	90,662	-	-	-	**90,662**
Net Book Value					
At 31 March 2014	**706,930**	**27,543**	**131,202**	**12,435**	**878,110**
At 31 March 2013	678,990	29,641	131,786	15,063	**855,480**

*To reclassify the brought forward balances at 1 April 2013.
There are fixed charges on 14,881 (2013:14,148) housing units.

Notes to the financial statements
for the year ended 31 March 2014

11. Tangible fixed assets: housing properties (continued)

Association	Housing Properties Held for Letting £000s	Housing Properties for Letting under construction £000s	Shared Ownership housing properties £000s	Shared Ownership housing properties under construction 2014 £000s	Total £000s
Cost					
At 1 April 2013	1,514,086	63,280	131,296	15,746	**1,724,408**
Schemes completed	41,302	(44,755)	16,334	(12,881)	**-**
Additions: New properties	23,617	-	-	-	**23,617**
Existing properties	11,003	28,007	-	10,910	**49,920**
Components written off	(2,733)	-	-	-	**(2,733)**
Transfer to stock	(68)	-	(4,619)	1,605	**(3,082)**
Disposals	(21,972)	-	(7,738)	-	**(29,710)**
At 31 March 2014	1,565,235	46,532	135,273	15,380	**1,762,420**
Social Housing Grant					
At 1 April 2013	(719,333)	(27,303)	(40,161)	(6,044)	**(792,841)**
*Reclassification	-	(2,084)	-	2,084	**-**
Transfer to current liabilities	-	5,943	-	328	**6,271**
Schemes completed	(23,274)	24,407	(3,241)	2,108	**-**
Additions	-	(18,321)	-	(1,086)	**(19,407)**
Transfer to recycled capital grant/disposal proceeds fund	421	-	2,017	-	**2,438**
Disposals	9,455	-	-	-	**9,455**
At 31 March 2014	(732,731)	(17,358)	(41,385)	(2,610)	**(794,084)**
Other Grants					
At 1 April 2013	(36,620)	(1,444)	(786)	(305)	**(39,155)**
Additions	-	(266)	-	(30)	**(296)**
Disposals	418	-	28	-	**446**
At 31 March 2014	(36,202)	(1,710)	(758)	(335)	**(39,005)**
Accumulated Depreciation					
At 1 April 2013	79,804	-	-	-	**79,804**
Charge for year	12,518	-	-	-	**12,518**
Eliminated in respect of disposals	(2,349)	-	-	-	**(2,349)**
At 31 March 2014	89,973	-	-	-	**89,973**
Net Book Value					
At 31 March 2014	706,329	27,464	93,130	12,435	**839,358**
At 31 March 2013	678,329	34,533	90,349	9,397	**812,608**

*To reclassify the brought forward balances at 1 April 2013.
There are fixed charges on 14,881 (2013:14,148) housing units.

Notes to the financial statements
for the year ended 31 March 2014

11. Tangible fixed assets: housing properties (continued)

Housing properties comprise:	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Freehold	**1,791,868**	1,760,648	**1,736,753**	1,698,741
Long leasehold	**57,119**	57,119	**25,667**	25,667
	1,848,987	1,817,767	**1,762,420**	1,724,408

Short term leasehold £nil (2013:£nil)

Total Social Housing Grant received or receivable to date is as follows:	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
SHG and other capital grants deducted from:				
Housing properties at cost	**880,215**	881,873	**833,089**	831,996
Homebuy and starter home initiative	**8,732**	8,714	**300**	300
Add: cumulative amount credited to Income and Expenditure Account	**21,432**	21,432	**21,432**	21,432
	910,379	912,019	**854,821**	853,728

Additions to housing properties during the year included net capitalised interest paid of £2,298,000 (2013:£2,324,000) Cumulative interest capitalised on historic developments is not separately identifiable.
Total expenditure on works to existing group properties during the year amounted to £37,183,000 (2013:£40,723,000) of which £13,459,000 (2013:£16,692,000) was capitalised.

Accommodation in management comprise:	Group 2014 units	Group 2013 units	Association 2014 units	Association 2013 units
Units owned and managed:				
General Needs	**18,193**	17,981	**18,193**	17,981
Housing for Older People	**2,531**	2,574	**2,531**	2,574
Supported Housing	**249**	249	**249**	249
Intermediate Market Rent	**1,000**	974	**947**	921
Open Market Rent	**14**	-	**14**	-
Affordable Rent	**448**	220	**448**	220
RTB/RTA/Owned	**1,546**	1,706	**1,287**	1,520
Shared Ownership	**3,485**	3,439	**1,695**	1,584
100% Staircased	**873**	696	**108**	7
	28,339	27,839	**25,472**	25,056
Units managed on behalf of other landlords:				
General Needs	**31**	48	**31**	48
Housing for Older People	**51**	53	**51**	53
Intermediate Market Rent	**-**	-	**53**	53
RTB/RTA/Owned	**15**	4	**274**	190
Shared Ownership	**5**	6	**1,795**	1,861
100% Staircased	**3**	3	**768**	692
	105	114	**2,972**	2,897
Total units managed (including Freeholds)	**28,444**	27,953	**28,444**	27,953
Total units owned	**28,339**	27,839	**25,472**	25,056

The unit number disclosure has been reformatted into a new analysis, 2013 unit numbers have been restated compared to that disclosed in the prior year.

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for the year ended 31 March 2014

12. Other tangible fixed assets

Policies:

Depreciation and impairment

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following annual rates:

Commercial, freehold and leasehold properties	between 30 and 60 years
Plant, machinery, fixtures and vehicles	between 3 and 15 years
Computer hardware and software	3 years
Estate equipment	between 5 and 100 years

Subject to those properties held on short lease where the maximum period is that of the remaining lease.

For all properties impairment reviews are carried out on an annual basis in accordance with FRS 11.

Note:

Group	Commercial, freehold & leasehold properties £000s	Estate equipment £000s	Plant, machinery, fixtures & vehicles £000s	Computer, hardware & software £000s	Total £000s
Cost					
At 1 April 2013	34,562	18,227	2,164	3,664	**58,617**
*Reclassification	-	2	(45)	43	**-**
Additions	60	2,586	-	1,152	**3,798**
Disposals	(150)	(731)	-	-	**(881)**
At 31 March 2014	34,472	20,084	2,119	4,859	**61,534**
Accumulated Depreciation					
At 1 April 2013	6,242	7,614	1,850	3,365	**19,071**
Charge for year	613	1,277	30	527	**2,447**
Disposals	(37)	(441)	-	-	**(478)**
At 31 March 2014	6,818	8,450	1,880	3,892	**21,040**
Net Book Value					
At 31 March 2014	27,654	11,634	239	967	**40,494**
At 31 March 2013	28,320	10,613	314	299	39,546

*To reclassify the brought forward balances at 1 April 2013.

Notes to the financial statements
for the year ended 31 March 2014

12. Other tangible fixed assets (continued)

Association	Commercial, freehold & leasehold properties £000s	Estate equipment £000s	Plant, machinery, fixtures & vehicles £000s	Computer, hardware & software £000s	Total £000s
Cost					
At 1 April 2013	34,156	18,227	2,164	3,662	**58,209**
*Reclassification	-	2	(45)	43	**-**
Additions	60	2,586	-	1,154	**3,800**
Disposals	(150)	(731)	-	-	**(881)**
At 31 March 2014	34,066	20,084	2,119	4,859	**61,128**
Accumulated Depreciation					
At 1 April 2013	6,210	7,614	1,850	3,364	**19,038**
Charge for year	606	1,277	30	528	**2,441**
Disposals	(37)	(441)	-	-	**(478)**
At 31 March 2014	6,779	8,450	1,880	3,892	**21,001**
Net Book Value					
At 31 March 2014	27,287	11,634	239	967	**40,127**
At 31 March 2013	27,946	10,613	314	298	39,171

*To reclassify the brought forward balances at 1 April 2013.

Freehold and leasehold properties comprise	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Freehold	**34,423**	34,513	**34,017**	34,107
Long leasehold	**49**	49	**49**	49
	34,472	34,562	**34,066**	34,156

Notes to the financial statements
for the year ended 31 March 2014

13. Investments

Policy:

Investments

Investments in subsidiaries and joint ventures are stated at cost. Unlisted investments are stated at market value.

SHGL retains a 25% stake in homes purchased through the Homebuy scheme and variable percentage stakes in homes purchased through the Starter Home Initiative. Investments in Homebuy and Starter Home Initiatives are funded through Social Housing Grant and held in the balance sheet at historic cost.

Properties held for their investment potential are accounted for in accordance with SSAP19 'Accounting for Investment Properties'. These properties are stated at value on purchase in 2012.

Note:

13a. Investments at market value

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Cost				
Unlisted investments	**10,555**	10,582	**10,555**	10,582
Total investments at cost	**10,555**	10,582	**10,555**	10,582
Market Value				
Unlisted investments	**12,753**	12,644	**12,753**	12,644
Total investments at market value	**12,753**	12,644	**12,753**	12,644

Unlisted investments represent holding in managed funds.

The year-end valuations of investments managed by external funds managers are made as follows:

- COIF Charities Investment Fund – the mid-market value of one unit in the relevant funds is advised by the fund managers
- Black Rock Charitrak Fund – the unit value for valuation purposes was advised by the fund managers.

	Group £000s	**Association £000s**
At 1 April 2013	12,644	12,644
Additions	-	-
Investment repayment	(27)	(27)
Release of THFC charged funds	-	-
	12,617	12,617
Change in value	195	195
Write downs	(59)	(59)
At 31 March 2014	**12,753**	**12,753**

Other investments are held at cost less, where appropriate, a write down provision.

Notes to the financial statements
for the year ended 31 March 2014

13b. Investments in subsidiaries and joint ventures

Investment loan to wholly owned subsidiary	**Group 2014 £000s**	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Cost				
Investment loan to wholly owned subsidiary	**-**	-	**12,241**	11,599

	Association 2014 £000s
As at 1 April 2013	11,599
Net advances	642
At 31 March 2014	12,241

Investment in joint ventures	**Group 2014 £000s**	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Share of gross assets	**94,998**	88,958	**25**	25
Share of gross liabilities	**(91,666)**	(87,512)	**-**	-
Net investment in joint ventures	**3,332**	1,446	**25**	25

Southern Housing Group Limited holds:

- 100% of the ordinary share capital of Southern Development Services Limited.
- 100% of the ordinary share capital of Southern Space Limited.
- 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Windsor & District Housing Association. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI Contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's Stock.
- Southern Housing Group also has a 33.33% direct holding in Affinity (Reading) Holdings Limited, which with the 16.67% indirect holding described above, gives a total interest of 50%. This is accounted for as an investment at cost and not as an associate or subsidiary as Southern Housing Group does not have significant influence over the activities of the entity as this is governed by the PFI contract.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the construction and supply of the social housing within the Athlete's Village for the London Olympics 2012. After the occupation by the athletes during the games the Triathlon Homes LLP share of the village is being retrofitted under the terms of the original contract for development and completed units for occupation have now been handed over to Triathlon Homes LLP to be used for social housing in Stratford.

Notes to the financial statements
for the year ended 31 March 2014

13b. Investments in subsidaries and joint ventures (continued)

The amounts included in respect of joint ventures comprise the following:

	2014 £000s	2013 £000s
Share of turnover of joint venture	10,786	5,553
Share of operating surplus in joint ventures	6,032	3,363
Share of assets		
Share of fixed assets	82,900	78,912
Share of current assets	12,098	10,046
	94,998	88,958
Share of liabilities		
Due within one year	(2,522)	(2,848)
Due after one year	(89,144)	(84,664)
	(91,666)	(87,512)
Investment summary		
Investment at cost	525	525
Share of accumulated surplus	2,807	921
	3,332	1,446

Included above is the following individually significant joint venture:

	Triathlon Homes LLP 2014 £000s	Triathlon Homes LLP 2013 £000s
Turnover	10,477	5,245
Profit before interest and taxation	5,918	3,277
Interest payable	(3,596)	(3,356)
Taxation	-	-
Profit after taxation	2,322	(79)

13c. Investments in properties and social homebuy

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Investment properties				
Cost/Valuation at 1 April 2013	926	926	926	926
Valuation adjustment	-	-	-	-
At 31 March 2014	926	926	926	926
Homebuy and starter home initiatives				
Homebuy and starter home initiatives	9,180	9,171	300	300
Less: Social Housing Grant	(8,732)	(8,714)	(300)	(300)
	448	457	-	-

Notes to the financial statements
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14. Properties for sale

Policies:

Properties held for sale

Completed properties and properties under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and interest capitalised. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Shared Ownership first tranche sales

Shared Ownership properties held for sale and under construction are split proportionally between current assets and fixed assets, based on the expected first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining elements of the Shared Ownership properties are accounted for as fixed assets. Subsequent sales are treated as part disposals of fixed assets.

Stock and work in progress

Stock and work in progress represents properties held for transfer to other Registered Providers or for outright sale, and is stated at the lower of cost (including attributable overheads and interest) and net realisable value.

Note:	**Group 2014 £000s**	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Properties under construction	**25,656**	18,967	**14,392**	10,016
Completed properties	**1,222**	6,782	**1,222**	3,606
Land	**2,486**	4,203	**604**	4,203
	29,364	29,952	**16,218**	17,825

15. Debtors

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Due within one year:				
Arrears of rent and service charges	**7,508**	7,179	**7,207**	6,878
Less: provision for bad and doubtful debts	**(5,711)**	(5,546)	**(5,505)**	(5,377)
	1,797	1,633	**1,702**	1,501
Social Housing Grant receivable	**170**	-	**170**	-
Amounts due from connected entities	**-**	-	**9,368**	16,961
Other debtors	**13,827**	12,988	**7,198**	6,394
Prepayments and accrued income	**5,926**	8,652	**2,600**	3,652
	21,720	23,273	**21,038**	28,508

At 31 March 2014, balances on bank accounts held on trust for shared owners totalled £6,908,000 (2013: £6,191,000) and are included in other debtors.

Notes to the financial statements
for the year ended 31 March 2014

16. Creditors: amounts falling due within one year

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Social Housing Grant received in advance	139	139	-	-
Recycled capital grant fund	1,494	-	-	-
Disposal proceeds fund	133	53	133	53
Accruals and deferred income	27,988	30,427	23,616	23,246
Corporation tax	1,892	1,164	-	-
Other taxation and social security	693	700	692	699
Other creditors	14,749	13,070	8,831	7,747
Capital grant on properties for sale	6,271	-	6,271	-
Housing loans	17,509	3,967	17,509	3,942
	70,868	49,520	57,052	35,687

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £7,391,000 (2013: £6,393,000) are reflected above in other creditors.

17. Housing loans

Policy:

Premium on debentures

Premiums on issue are treated as deferred income and written back to the income and expenditure account over the period of the loan. Adjustments to debenture deferred income are reflected in Note 7. The net of costs premiums arose through participation in the following borrowing clubs' capital market bond issues with the issue price premium reflecting the then market rate compared with the bond coupon rate:

- Funding for Homes Limited 10 1/8% March 2018 – October 1993 £5m – net premium £0.81m
- THFC (Social Housing Finance) Limited 8 3/4% December 2021 – December 1997 £10m – net premium £1.25m
- Housing Securities Limited 8 3/8% January 2019 – January 2000 £4.1m – net premium £0.91m

Derivative financial instruments

Stand-alone and embedded interest rate hedging is undertaken for interest rate risk management purposes with the intention that any such hedging runs until its maturity with only the resulting net interest arising being charged against the income & expenditure.

No mark to market valuation is reflected in the financial results.

Note:	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Housing loans falling due after one year	709,944	740,631	685,444	702,831
Loan set up cost	(3,381)	(2,686)	(3,310)	(2,525)
	706,563	737,945	682,134	700,306

Housing loans are all secured by specific charges on 14,881 (2013: 14,148) of the Group's housing units and are repayable in instalments due as follows:

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
In one year or less	17,509	3,967	17,509	3,942
Between one and two years	5,718	4,741	5,518	4,691
Between two and five years	48,604	31,195	47,474	29,990
In five years or more	655,622	704,695	632,452	668,150
	727,453	744,598	702,953	706,773

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for the year ended 31 March 2014

17. Housing loans (continued)

Housing loans bear hedged fixed rates of interest ranging from 3.3% to 13.1% or variable rates based on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2017 to 2045. Southern Housing Group Limited has the following stand alone derivative transactions as at 31 March 2014:

	Market Value 2014 £m	Market Value 2013 £m
£20m 3 yearly cancellable swap at a fixed rate of 4.77%, next option date July 2016	**(6.43)**	(9.74)
£25m 30 year cancellable swap at a fixed rate of 4.57%, option date November 2023	**(7.06)**	(8.51)
£30m 27 year swap at a fixed rate of 4.9875% discounted by compound RPI above 3.20%	**(9.56)**	(13.42)
£25m 5 year swap at a fixed rate of 2.75%	**(1.05)**	(2.14)
£25m 5 year swap at a fixed rate of 3.055%	**(1.34)**	(2.64)
£25m 5 year swap at a fixed rate of 3.3%	**(1.65)**	(2.98)

All stand-alone derivative transactions are supported by charged property security to cover any adverse mark-to-market valuations.
On 4th February 2014 the Group raised £125m via the issue of a bond due 2039 at a coupon of 4.50% of which £50m was deferred. The initial drawdown was issued at a re-offer price of 99.35% giving an effective interest of 4.551%. Under the terms of the bond, the group is committed to a further drawdown of £49m in 2019.

18. Recycled capital grant fund

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Balance at 1 April	**6,002**	2,707	**2,686**	893
Grant released on sales	**5,432**	3,447	**2,697**	1,735
Interest added to fund	**39**	24	**19**	9
Intra-group transfer	**-**	-	**95**	225
Grant recycled into new schemes	**(1,577)**	(176)	**(1,577)**	(176)
Balance as at 31 March	**9,896**	6,002	**3,920**	2,686
Due within one year	**(1,494)**	-	**-**	-
Due in more than one year	**8,402**	6,002	**3,920**	2,686
Balance relating to the HCA	**3,855**	2,332	**2,846**	1,851
Balance relating to the GLA	**6,041**	3,670	**1,074**	835

The balance on this fund represents grant from the Government that has been released on sales of property. Since 1 April 1997 such grants are available for recycling into new housing provision, over a three-year period. No funds are due for repayment.

19. Disposal proceeds fund

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Balance at 1 April	**219**	1,121	**219**	1,121
Released on sales	**11**	-	**11**	-
Interest added to Fund	**1**	5	**1**	5
Recycled into new schemes	**(93)**	(907)	**(93)**	(907)
Balance as at 31 March	**138**	219	**138**	219
Due within one year	**(133)**	(53)	**(133)**	(53)
Due in more than one year	**5**	166	**5**	166
Balance relating to the HCA	**100**	120	**100**	120
Balance relating to the GLA	**38**	99	**38**	99

The balance on this fund represents excess of sales on disposals of property where grant from the Government existed, which has been released on sales of property. The fund is available for recycling into new housing provision. No funds are due for repayment.

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20. Deferred income

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Balance at 1 April	1,181	1,373	1,181	1,373
Transferred to Income and Expenditure Account	(196)	(192)	(196)	(192)
Balance as at 31 March	985	1,181	985	1,181
Deferred income comprises:				
Premium on debentures	849	985	849	985
Property leasing income	136	196	136	196
	985	1,181	985	1,181

21. Provisions for liabilities

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Balance at 1 April	52	91	25	25
Transferred from/(to) income and expenditure account	28	(39)	-	-
Balance as at 31 March	80	52	25	25

The closing balance reflects a Housing Association as management agents provision of £25,000 (2013:£25,000) carried forward, and a defects provision in respect of new sales properties in SSL of £55,000 (2013:£27,000). The movement in the year represents unused defects provision in respect of new sales properties in SSL.

22. Called-up share capital

Shares of £1 each issued and fully paid:	2014 £	2013 £
Balance at 1 April	8	8
Shares issued during year	3	-
Shares surrendered during year	(3)	-
As at 31 March	8	8

The share capital of the Association consists of shares of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled.

23. Revenue reserve

Group and Association	Group 2014 £000s	Association 2014 £000s
Balance at 1 April 2013	306,671	286,446
Surplus for year	37,308	31,222
Actuarial gain relating to pension scheme	8,166	8,166
As at 31 March 2014	352,145	325,834

	Group 2014 £000s	Association 2014 £000s
Revenue reserve excluding pension liability	359,685	333,374
Pension liability	(7,540)	(7,540)
Revenue reserve including pension liability	352,145	325,834

Notes to the financial statements
for the year ended 31 March 2014

24. Revaluation reserve

Group and Association	2014 £000s	2013 £000s
Balance at 1 April	2,250	1,826
Surplus on revaluation of investments	195	424
As at 31 March	**2,445**	2,250

The reserve relates to the SHGL investment portfolio shown at market value. The credit to the reserve represents the movement in market value during the course of the year.

25. Designated and restricted reserves

Policies:

Designated reserves

These reserves are designated for specific purposes. The reserves are administered and managed in accordance with the purpose for which the reserve was intended.

Restricted reserves

These reserves relate to grants from third parties which are only expendable in respect of the projects for which they are received.

Group and Association	Designated reserves £000s	Restricted reserves £000s	Total 2014 £000s	Total 2013 £000s
Balance at 1 April	430	-	430	431
Expenditure in year	-	-	-	(1)
As at 31 March	**430**	**-**	**430**	430

Designated reserves comprise:

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Legacy grants	133	133	133	133
Tenant amenities	50	50	50	50
IOW health authority housing improvements	38	38	38	38
Sheltered housing improvements	209	209	209	209
	430	430	**430**	430

26. Capital commitments

	Group 2014 £000s	Group 2013 £000s	Association 2014 £000s	Association 2013 £000s
Capital expenditure contracted but not provided for in the financial statements	15,204	28,250	10,052	22,593
Capital expenditure authorised but not contracted	77,795	44,602	33,694	33,779

The Group capital expenditure authorised but not contracted includes £16,894,327 in respect of units developed in SSL for sale within the Group.

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes

Policy:

Retirement benefits

The Group operates a number of pension schemes:

- **Defined benefit schemes –** Southern Housing Group Pension scheme and Isle of Wight Pension scheme
- **Multi-employer scheme –** The Social Housing Pension Scheme (SHPS)
- **Money Purchase scheme –** The Zurich Assurance Limited Pension Scheme

Defined benefit schemes

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group also participates in a defined benefit pension scheme which is administered by the Isle of Wight Council and has minor participation with Islington local government pension scheme.

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.

The Social Housing Pensions Scheme (SHPS)

The Group also participates in a pension scheme providing benefits based on final pensionable pay. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Money purchase scheme

The Group also participates in a defined contribution scheme where the amount charged to the income and expenditure account represents the contributions payable to the scheme by the Group in respect of the accounting period.

Note:

Group companies participate in a number of pension schemes:

a) Defined benefit schemes

SHGL and SHO contribute to the Southern Housing Group scheme which was closed to new members from 31 March 2003. SHO has only one member of the SHG scheme which is accounted for through the parent company financial statements.

SHGL also contributes to:

- The Social Housing Pension Scheme which was closed to new members from 1 January 2007.
- The Isle of Wight Council Pension Fund for employees who transferred from the Isle of Wight Council.
- The Islington local government Pension Scheme of which there are only 2 members, the share of scheme assets and liabilities of which are not material to the SHGL financial statements.

b) Defined contribution schemes

A defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

The amounts recognised in the balance sheet are as follows:

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Southern Housing Group Pension scheme	**(4,882)**	(12,520)	**(4,882)**	(12,520)
Isle of Wight Pension scheme	**(2,658)**	(2,973)	**(2,658)**	(2,973)
Total net deficit	**(7,540)**	(15,493)	**(7,540)**	(15,493)

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

Southern Housing Group Pension Scheme

The defined benefit plan provides benefits based on final pensionable salary. The latest full actuarial valuation was carried out at 31 March 2013 and was updated for FRS 17 purposes to 31 March 2014 by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. The next full actuarial valuation will be March 2016 with the draft result of this expected to be available in September 2016.

During the accounting year the Group paid contributions at a rate of 24% plus an additional annual payment of £564,840 (2012/13: £564,840) towards an identified deficit.

It has been agreed that the employer contribution rate to be applied from 1 April 2014 is 24%.

The major assumptions in this valuation were:

Actuarial assumptions	2014 % pa	2013 % pa	2012 % pa
Rate of increase in salaries	**3.30**	4.40	4.30
Rate of increase in pensions in payments and deferred pensions	**3.30**	3.20	3.10
Discount rate	**4.50**	4.10	4.60
Inflation assumption - RPI	**3.60**	3.40	3.30
Inflation assumption - CPI	**2.80**	2.60	2.50

Mortality assumptions	Male % pa	Female % pa
Current pensioner aged 65	**22.54 yrs**	24.81 yrs
Future retiree upon reaching 65	**24.20 yrs**	26.65 yrs

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

Scheme values	2014 £000s	2013 £000s	2012 £000s
Equities	**15,607**	14,133	11,537
Bonds	**6,630**	6,061	5,997
Property	**1,353**	1,204	1,026
Diversified growth fund	**5,318**	5,261	4,310
Cash	**254**	286	183
Total market value of assets	**29,162**	26,945	23,053
Present value of scheme liabilities	**(34,044)**	(39,465)	(31,610)
Deficit in the scheme	**(4,882)**	(12,520)	(8,557)

Long term rate of return	2014 %	2013 %	2012 %
Equities	**6.70**	5.60	5.90
Bonds	**4.30**	4.00	5.00
Diversified growth fund	**6.40**	4.50	5.00
Property	**4.90**	4.80	5.10
Cash	**3.10**	1.20	1.50

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

Movements in present value of defined benefit obligation	2014 £000s	2013 £000s
At 1 April	**39,465**	31,610
Current service cost	**1,122**	894
Interest on obligation	**1,627**	1,463
Contribution by members	**91**	123
Actuarial (gains)/losses	**(7,506)**	6,036
Administration expenses	**(150)**	(510)
Benefits paid	**(605)**	(151)
At 31 March	**34,044**	39,465

Movement in fair value of fund assets	2014 £000s	2013 £000s
At 1 April	**26,945**	23,053
Expected returns on fund assets	**1,336**	1,265
Contribution by members	**91**	123
Actuarial gains/(losses)	**369**	2,027
Contributions by employer	**1,176**	1,138
Administration expenses	**(150)**	(151)
Benefits paid	**(605)**	(510)
At 31 March	**29,162**	26,945

Movement in deficit during year	2014 £000s	2013 £000s	2012 £000s
Deficit in scheme at beginning of year	**(12,520)**	(8,557)	(4,832)
Current service cost	**(1,122)**	(894)	(736)
Contributions paid	**1,176**	1,138	1,158
Other finance (costs)/income	**(291)**	(198)	15
Actuarial (loss)/gain	**7,875**	(4,009)	(4,162)
Deficit in scheme at end of year	**(4,882)**	(12,520)	(8,557)

Analysis of other pension costs charged in arriving at operating surplus	2014 £000s	2013 £000s	2012 £000s
Current service cost	**(1,122)**	(894)	(736)

Analysis of amounts included in other finance income/expense	2014 £000s	2013 £000s	2012 £000s
Expected return on pension scheme assets	**1,336**	1,265	1,449
Interest on plan liabilities	**(1,627)**	(1,463)	(1,434)
	(291)	(198)	15

Analysis of amount recognised in statement of total recognised surpluses and deficits	2014 £000s	2013 £000s	2012 £000s
Actual return less expected return on assets	**369**	2,027	(656)
Experience gains/(losses) arising on scheme liabilities	**1,454**	(1,439)	416
Changes in assumptions underlying the present value of scheme liabilities	**6,052**	(4,597)	(3,922)
Actuarial gain/(loss) recognised in statement of total recognised surpluses and deficits	**7,875**	(4,009)	(4,162)

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

History of scheme The history of the scheme for the current and prior years is as follows:	**2014** £000s	**2013** £000s	**2012** £000s	**2011** £000s	**2010** £000s
Fair value of scheme assets	**29,162**	26,945	23,053	21,575	19,260
Present value of scheme liabilities	**(34,044)**	(39,465)	(31,610)	(26,407)	(26,842)
Deficit	**(4,882)**	(12,520)	(8,557)	(4,832)	(7,582)
History of experience gains and losses					
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	**4.27%**	(3.65%)	1.32%	6.17%	3.82%
Experience adjustments on scheme assets as a percentage of scheme assets	**1.27%**	7.52%	(2.85%)	2.31%	20.18%

The Social Housing Pension Scheme

The Group also participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the State Pension Scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide". The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate to March 2007, which, as both schemes are now closed to new entrants, continues to apply to current members.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting year the Group paid contributions at the rate of 9.8% (2013:9.5%). Member contributions varied between 11.5% and 12.5%.

At the balance sheet date, there were 37 (2013:43) active members employed in the group. The annual pensionable payroll in respect of these members was £868,334 (2013:£936,944). Additional contributions of £367,704 were paid to fund the deficit.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi-employer scheme where the assets are co-mingled for investment purposes and benefits are paid out of total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the year under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates	
Pre retirement	7.0% pa
Non pensioner post retirement	4.2% pa
Pensioner post retirement	4.2% pa
Pensionable earnings growth	2.5% pa for 3 years then 4.4%
Price inflation	2.9% pa

Pension Increases	
Pre 88 GMP	0.0% pa
Post 88 GMP	2.0% pa
Excess over GMP	2.4% pa

Expenses for death in service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using pre-retirement and post-retirement mortality assumptions based on base tables which reflect the entity's best estimate of mortality rates being experienced at the balance sheet date and allowances for future improvements in longevity.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	**19.4**
Final salary with a 1/70th accrual rate	**16.9**
Career average revalued earnings with a 1/60th accrual rate	**18.1**
Final salary with a 1/80th accrual rate	**14.8**
Career average revalued earnings with a 1/80th accrual rate	**14.0**
Career average revalued earnings with a 1/120th accrual rate	**9.7**

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each April; first increase April 2014

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in the first table to the above.

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that 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 new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

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.

The Scheme Actuary has estimated the employer debt that would have been payable if the Group had withdrawn from the Scheme as at 30 September 2013 to be £22,823,436.

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

The Isle of Wight Council Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension scheme. The scheme is funded by the payment of contributions to a pension fund, which is administered by the Isle of Wight Council. The latest full actuarial valuation was carried out at 31 March 2013 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 20.8% of pensionable pay plus an additional amount of £132,000 will apply for 2014/15 (2013/14: 20.8% plus £132,000).

The major assumptions in this valuation were:

Actuarial assumptions	**2014 % pa**	2013 % pa	2012 % pa
Rate of increase in salaries	**4.40**	5.10	4.80
Rate of increase in pensions in payments and deferred pensions	**2.60**	2.80	2.50
Discount rate	**4.10**	4.50	4.80
Inflation assumption - RPI	**3.60**	3.20	3.10
Inflation assumption - CPI	**2.80**	2.40	2.3

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 24.5 years (female).
- Future retiree upon reaching 65: 23.8 years (male), 26.7 years (female).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of our share of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and thus inherently uncertain, were:

	2014 £000s	2013 £000s	2012 £000s
Equities	**2,916**	3,235	2,725
Bonds	**1,237**	931	896
Property	**221**	222	234
Other	**44**	44	39
Total market value of our share of assets	**4,418**	4,432	3,894
Present value of our share of scheme liabilities	**(7,076)**	(7,405)	(6,697)
Deficit in the scheme	**(2,658)**	(2,973)	(2,803)

Long term rate of return	**2014 %**	2013 %	2012 %
Equities	**6.60**	5.80	6.30
Bonds	**4.30**	4.10	4.60
Property	**4.80**	3.90	4.40
Cash	**3.70**	3.00	3.50

The estimated market value of the scheme's assets (whole Fund) at 31 March 2014 was £424.2 million.

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

Reconciliation of defined benefit obligation	2014 £000s	2013 £000s
Opening defined benefit obligation	7,405	6,697
Current service cost	41	37
Interest cost	328	315
Contribution by members	9	11
Actuarial (gains)/losses	(428)	654
Estimated benefits paid	(279)	(309)
Deficit in scheme at end of year	**7,076**	7,405

Reconciliation of fair value of employer assets	2014 £000s	2013 £000s
Opening fair value of employer assets	4,432	3,894
Expected return on assets	232	222
Contributions by members	9	11
Contributions by employer	161	167
Actuarial (losses)/gains	(137)	447
Benefits paid	(279)	(309)
Total charged to operating cost	**4,418**	4,432

Expense recognised in Income and Expenditure Account	2014 £000s	2013 £000s
Current service cost	41	37
Interest cost	328	315
Expected return on employer assets	(232)	(222)
Total	**137**	130

The expense is recognised in the following line items in the Income and Expenditure Account:	2014 £000s	2013 £000s
Operating costs	41	37
Other finance costs	96	93
Total	**137**	130

The total amount recognised in the Statement of Total Recognised Gains and Losses in respect of actuarial gains and losses is £291,000 gain (2013: £207,000 loss).

Notes to the financial statements
for the year ended 31 March 2014

27. Pension schemes (continued)

History of scheme

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

	2014 £000s	2013 £000s	2012 £000s	2011 £000s	2010 £000s
Fair value of scheme assets	**4,418**	4,432	3,894	3,877	3,592
Present value of funded liabilities	**(7,076)**	(7,405)	(6,697)	(6,179)	(7,303)
Deficit	**(2,658)**	(2,973)	(2,803)	(2,302)	(3,711)
Experience adjustments					
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	**8.48**	(1.82)	(1.82)	2.09	
Experience adjustments on scheme assets as a percentage of scheme assets"	**(3.10)**	10.09	(4.44)	3.10	23.33

The Association expects to contribute approximately £157,000 to its defined benefit scheme in the next financial year.

The Zurich Assurance Limited Pension Scheme

The Group also participates in a defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

28. Operating Leases

Policy:

Leased assets

Payments under cancellable operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

Note:

Leasing rentals in respect of property amounting to £256,000 (2013: £255,000) and equipment £184,000 (2013: £179,000) were charged during the year.

At 31 March 2014 the Group had the following annual commitments in respect of operating leases:

	Group 2014 £000s	Group 2013 £000s	**Association 2014 £000s**	Association 2013 £000s
Operating leases which expire:				*
Within one year	**112**	25	**137**	-
Within one to two years	**-**	6	**6**	137
Within two to five years	**144**	153	**297**	154
Within five to ten years	**-**	-	**-**	143
	256	184	**440**	434

* Expiry period re-analysed

29. Legislative provisions

Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 31055R) and registered with the Homes and Communities Agency and previously with the Housing Corporation under the Housing Act 1974 (Registered Number L4628).

Notes to the financial statements
for the year ended 31 March 2014

30. Group organisations

Southern Housing Group Limited is the parent body and is required to prepare group financial statements for the following organisations included in these financial statements:

Southern Housing Group Limited	Registered Provider Number: L4628
Southern Home Ownership Limited	Registered Provider Number: LH1662
Southern Space Limited	Incorporated under CA06 Companies Act number 5437850
Southern Development Services Limited	Incorporated under CA06 Companies Act number 5400187
Affinity Housing Services (Reading) LLP	Joint venture partnership with Windsor & District HA
Triathlon Homes LLP	Joint venture partnership with First Base 4 Stratford LLP and East Place Limited

Under Financial Reporting Standard 9 Southern Space Limited is exempt from the requirement to use gross equity accounting for the joint venture investment.

31. Related parties

Received by Southern Housing Group from non-regulated group members on a commercial arms length basis:

	2014 £000s	2013 £000s
Total receipts	**1,949**	3,839

Receipts comprised:
SDSL - Recharge of administrative support costs and gift aid donations
SSL - Interest on loan, and recharge of administrative support costs and development team costs, and gift aid donations
Affinity Housing Services (Reading) LLP - Director's services and profit distribution

Payments made by Southern Housing Group to non-regulated group members on a commercial arm's length basis:

	2014 £000s	2013 £000s
Total payments	**1,150**	2,237

Payments comprised:
SDSL - Design and build fees relating to construction services

Payments made by Southern Home Ownership to non-regulated group members on a commercial arms length basis:

	2014 £000s	2013 £000s
Total payments	**142**	651

Payments comprised:
SDSL - Design and build fees relating to construction services
SSL - Commission relating to housing sales

One board member was a leaseholder during the year.

Notes to the financial statements
for the year ended 31 March 2014

32. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with SHGL as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, SHGL.

	Date of acquisition	Original cost £000s	Number of units
Liverpool Road	1910	**324**	247
Jubilee Cottages	1935	**707**	28
Palliser Road	1927	**973**	57
Dalmeny Avenue	1935	**493**	82
Beech House	1936	**701**	16

Fund balances are represented by:

	2014 £000s	2013 £000s
Tangible fixed assets at cost less accumulated depreciation.	**12,497**	6,118
Less social housing and other grants	**(7,772)**	(5,609)
	4,725	509
Investments at valuation	**857**	815
	5,582	1,324

Net income from permanent endowed assets	2014 £000s	2013 £000s
Income from lettings	**1,600**	1,534
Less expenditure on letting activities	**(855)**	(1,201)
Surplus on letting activities	**745**	333
Income from Investments	**10**	10
	755	343

Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.

33. Contingencies

No contingent assets or contingent liabilities are recognised in these financial statements.

34. Post Balance Sheet events

In line with the group asset rationalisation and management policy, three significant stock disposals have been completed since 31st March 2014.

- Forty five units of general needs stock in Bromley in May 2014
- Sixty nine units of general needs stock in Basildon, Brentwood and Havering in June 2014
- One hundred and seventy nine units of general needs stock in Hastings in June 2014

No other material post balance sheet events have taken place.

Liverpool Road, London

Contact us

Southern Housing Group,
Fleet House, 59-61 Clerkenwell Road
London, EC1M 5LA

T: 020 7017 8521
F: 020 7553 6400
E: communications@shgroup.org.uk
@ southernhousing

www.shgroup.org.uk

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