



Unlocking the potential
of people and places



Group Financial Accounts
2009-2010



Contents

The Board, Senior Executives and Advisers	2
Operating and Financial Review	3 - 19
Report of the Board	20 - 21
Report of the Independent Auditor	22
Income & Expenditure Account	23
Statement of total recognised surpluses & deficits	23
Balance Sheets	24
Consolidated Cash Flow Statement	25
Notes to the Consolidated Cash Flow Statement	26
Notes to the Financial Statements	27 - 58

The consolidated financial statements of:
Southern Housing Group Limited
Southern Home Ownership Limited
South Wight Housing Association Limited
James Butcher Housing Association Limited
Southern Space Limited

The Board, Senior Executives and Advisers

Members of the Board of Southern Housing Group Limited as at 12 July 2010

Andrew McIntyre	Chairman
Tony Bourne	
John Castelberg	Southern Home Ownership Limited Chairman
Tom Dacey	Group Chief Executive
Peter Goodacre	Resigned 5 June 2010
Malcolm Groves	South Wight Housing Association Chairman
Chris Hampson	
Jim Hitch	
Jane Hives	
David Kelly	
Lara Oyedele	Appointed 28 September 2009
Clifford Payton	James Butcher Housing Association Chairman, appointed 5 June 2010
Preth Rao	Appointed 6 July 2009

The following Directors resigned during the year:

John Argent	Resigned 6 July 2009
Neville Hudson	Resigned 6 July 2009

Group Strategy Team as at 31 March 2010

Tom Dacey	Group Chief Executive
Alene Wilton	Corporate Services Director
Barry Nethercott	Finance Director
Dale Meredith	Development Director
Paul Smith	Operations Director
Caroline Tiller	Executive Director, James Butcher Housing Association
Margaret Wright	Executive Director, South Wight Housing Association

Secretary and Registered office

Phillippa Caine
Fleet House, 59-61 Clerkenwell Road, London EC1M 5LA

Auditor

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

Bankers

The Royal Bank of Scotland
Corporate Banking
Second Floor, County Gate 2
Staceys Street
Maidstone
Kent ME14 1ST

Principal solicitors

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

Winckworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

Overview of the Business

Southern Housing Group is one of the largest affordable housing providers in Southern England. We house some 66,000 residents, own and manage more than 25,000 homes and employ 900 people. We continue to have a presence in over 70 local authority areas. Our activities centre on four key areas; the development of affordable housing, for which we are a Homes and Communities Agency (HCA) preferred partner, housing and neighbourhood management, a range of housing options for rent and home ownership, and social and economic investment.

Southern Housing Group Limited (SHGL) which is the parent organisation, Southern Home Ownership Limited (SHO, formerly Southern Housing Home Ownership Limited), South Wight Housing Association Limited (SWHA) and James Butcher Housing Association Limited (JBHA) are all Registered Providers (RPs) of affordable housing regulated by the Tenant Services Authority (TSA). Southern Space Limited (SSL) develops properties for outright sale. SSL also has a one third share in Triathlon Homes LLP which has been established to provide long term affordable housing at the Olympic Village from 2013.

The consolidated accounts are published on the Association's website, www.shgroup.org.uk.

External Influences

The most significant influence for the sector in the external environment will be how the recently formed government will resolve the difficult decisions it faces to help manage the economy out of recession, whilst at the same time reducing the burden of the existing and forecast increase in national debt. Quite how this will affect all of us over the next couple of years is as yet uncertain, but we remain committed to delivering our Corporate Plan objectives for the benefit of existing and future residents.

The sector has emerged from the credit crunch in reasonably robust shape, but must now manage the consequences of the recession brought about by the worldwide economic crisis. It is clear that public subsidy is going to be in very short supply in the years to come, and government is, quite understandably, going to be seeking efficiency gains in all areas of investment including the provision of affordable housing. The challenge for the sector is to 'do more for less' at a time when our balance sheets are continuing to absorb the impact of the economic crisis. On a positive note, capital finance is gradually becoming more available at manageable margins for our business plans. We still await the return of a fully functioning mortgage market for first time buyers and shared owners. Again, the market circumstances are not as bleak as they were twelve months ago, but there is still a very real shortage of affordable mortgages that combine reasonable loan to value ratios alongside affordable interest rates.

It is still the case that the stimulation of entry level housing for sale remains the key to returning housing association production of affordable homes for both rent and sale to the levels required to keep pace with demand. Cross subsidy from sales would allow expanded affordable rent programmes, and the by-products from new home owners entering the market will trickle through the economy in a number of beneficial ways.

There are undoubtedly difficult times ahead for the sector in terms of the scale of public investment available and we must become increasingly inventive and innovative if we are to continue our mission to provide affordable housing of all tenures in London and the South East, whilst continuing to protect our existing residents and our future financial strength.

Finally, the TSA spent a good part of the year in consultation with its stakeholders before launching the regulatory framework for social housing, which came into effect from 1 April 2010. At the same time the powers of the TSA were extended to include local authorities as part of the new domain in social housing. Much of our time in 2010/11 will be spent translating the outputs driven framework into appropriate action for Southern Housing Group, and in so doing, providing a responsive service that improves the quality of life of our residents.

Objectives and Strategies

Our mission is “unlocking the potential of people and places”. The values we hold as an organisation, which are to be progressive, responsible, inclusive and reliable, reflect and underpin our mission and objectives.

The year under review is the first year of our Corporate Plan 2009-2012, which continues our journey of development and improvement. The Plan sets out six strategic objectives to achieve these goals and these are to:

- Understand residents’ needs and ensure our residents shape the continuous improvement of our products and services in meeting those needs.
- Secure the long-term growth and future of Southern Housing Group.

- Enhance the reputation of Southern Housing Group through building effective relationships with residents and all other interested parties.
- Instil a culture of value for money throughout the organisation to ensure we effectively meet the needs of our residents.
- Recognise, value and promote the diversity of our staff, board members and the communities in which we work in all aspects of our activities.
- Enable staff and board members to work across all areas, to develop their skills and maximise their potential contribution to the Group for the benefit of residents.

Each of these objectives is defined by three priorities. The objectives and priorities are supported by an explanation as to why they are important to us, and the outcome we seek to achieve. To assess our progress, we have also identified measurable three-year performance targets, and delivery of these has been our focus over the past year. Progress is reviewed by the Board in December and July each year, and is reported to residents annually.

Development Performance

In 2009/10 we completed 789 homes. Of these, 649 were part of the HCA partnering programme, which was 22% ahead of our start of year target. HCA spend at £46.8m was 90% ahead of the cash planning target of £24.7m. We started work on 724 new homes during the year, of which 446 were part of the HCA programme. This was 58% above our start of year target.

Handovers and Starts by Tenure	2009/10		2008/09	
	Handovers	Starts	Handovers	Starts
Social Rent	394	386	532	219
Intermediate Rent	288	121	271	180
Shared Ownership	71	89	148	100
Outright Sale	36	128	18	-
Total	789	724	969	499

The number of handovers reflects the continuing rolling programme committed in previous years. The social rent programme accounts for just over half of our total activity, with modest levels of shared ownership and open market sale. Intermediate rent completions remain at a relatively high level this year due to conversion of shared ownership units in response to the downturn in the housing market. As predicted last year, the level of starts has increased from 2008/09 due to several key projects commencing this year. Nevertheless we expect our longer-term programme to reduce as the lack of cross subsidy and limited grant support for affordable housing has greater impact in future years.

Key Initiatives

Low Cost Home Ownership (LCHO) Sales & Intermediate Lettings

Following the tenure conversion exercise earlier in the year, we embarked on a major sales and marketing initiative to sell or rent intermediate homes. By 31 March 2010 we had exchanged contracts on or let 523 new homes. In addition, the average number of weeks unsold was reduced to around 20% of the March 2009 level.

Homeflex

We launched our new Sales and Marketing initiative under the "Homeflex" brand during the year. Homeflex allows customers to buy through New Build HomeBuy or rent through Intermediate market rent. If the customer decides that renting suits them initially and subsequently wants to purchase, this initiative gives them the flexibility to buy at a later stage.

Mortgage Rescue

We signed up to the HCA's register of RPs for this initiative. Our first completion took place early in the new financial year.

New Projects

We are providing affordable new housing on a number of high profile sites. These include:

Kidbrooke, London Borough of Greenwich

Work started on the first two phases of the Kidbrooke regeneration scheme in South East London with partners, Berkeley Homes, where we will demolish unpopular and unsightly 1970s blocks of flats, replacing them over a 15 year period with around 4,600 new homes, open space and communal facilities. These first two phases will provide a total of 344 affordable homes, many of which will be used to re-house existing residents.

Barking Riverside, London Borough of Barking & Dagenham

Following a long gestation period, we progressed detailed contract negotiations on the first phase of the Barking Riverside project. We expect work to start later in 2010/11 on the first of over 10,000 homes to be built during the next 15 to 20 years.

Royal Arsenal, London Borough of Greenwich

The Armouries consists of 300 intermediate rent, shared ownership and social rent homes built around a central lagoon and is part of the larger Royal Arsenal development. Our involvement in this site began back in 2001. Handover of the last dwellings will be completed early this summer and will bring our presence on this site to over 600 homes, which are part of a much larger mixed tenure community.

Holloway Road, London Borough of Islington

We are a significant partner in this development, taking 18 social rent Section 106 flats and 39 intermediate rent flats, part funded with HCA grant. Work started late in 2009 and the development is expected to be completed in Autumn 2011.

Dagenham Library

Work is nearly complete on a new local library with flats above. These 82 homes are mainly for intermediate rent.

Southern Quarter

In April 2010 we saw the culmination of 4½ years' work in Ryde on the Isle of Wight, which started when we took the site over following Isle of Wight Housing Association joining Southern Housing Group in October 2005. A total of 149 units have been built, providing many large family homes for local people as well as 49 for intermediate rent and 42 for market sale. The development has transformed the local area from a derelict brownfield site into an attractive new community.

Athletes Village

We have a one-third interest in Triathlon Homes LLP, the joint venture which will take ownership of the affordable homes at the Athletes Village following the Olympic Games. The project is progressing to time and budget. Detailed consultation is taking place with a wide range of local agencies on longer-term plans for the letting and management of the affordable homes, which will be part of a new mixed tenure community, helping to regenerate the area following the Games.

Service Improvement

Over the last year we have made some significant improvements to the services that we provide to our residents. These have been linked to both our Corporate Plan objectives and short notice inspection action plan. Residents have also continued to play a key role in shaping the continuous improvement of our services.

With residents at the forefront, we launched a new 0300 phone number in August 2009 for the customer service centre resulting in reduced telephone costs for all residents contacting us by phone. We also made it easier for residents in our Kent area to report repairs by introducing 'calls direct', enabling residents to ring their maintenance contractor directly. We will be rolling out this approach during 2010 with our other day to day maintenance contractors.

We developed a comprehensive and challenging range of service standards setting out what residents and other customers can expect from the services they receive. The standards were developed over a six-month period with extensive resident involvement. They set out our commitment to general 'access and customer care' standards as well as setting standards for different service areas such as repairs and maintenance, managing estates and lettings and allocations.

Other key achievements in the year have included reviewing our approach to inspecting our schemes and estates with a renewed emphasis on involving residents in the process. This is helping us ensure that standards of cleaning and gardening on schemes are improved and schemes are kept clean and tidy. Following our short notice inspection in January 2009, we focused on making some key improvements to income management, including focusing on preventative measures and early interventions to help stop residents getting into debt.

Resident Satisfaction

The results from the STATUS survey completed this year show improvement in both overall and repairs satisfaction. Whilst STATUS is recognised as the established methodology to compare resident satisfaction ratings we have continued to use an additional suite of transactional satisfaction measures across our key services to focus service development. Generally performance in these surveys has improved and/or remained at a high level over time, with the results used to inform service improvement. For example the average satisfaction rating for responsive repairs was 8.4 out of 10 in 2009/10, maintaining the high performance from the previous year.

Value for Money (VfM)

VfM is one of our six strategic objectives. To support this objective we have a clear VfM Strategy which has been communicated to all staff.

We are committed to the elimination of waste and concentrating on good quality outcomes for our residents. We have a small team of staff that works across the whole organisation using a systems thinking approach to improving business processes and thereby delivering better VfM.

Professional procurement is a key element in delivering this objective. We have a clear procurement strategy and over the past two years we have refreshed our approach by providing an organisation wide procurement function which all staff use to achieve better VfM and to ensure compliance with procurement regulations.

We also have a robust budgeting process that requires all managers to operate within agreed financial parameters whilst delivering improved outcomes for residents. We concentrate on delivering and demonstrating VfM on a case by case basis rather than trying to develop a complex measurement system.

During the past year our Continuous Service Improvement team supported specific projects to drive VfM improvements in many areas including: void management, repairs and maintenance, defect remedial processes, purchase ledger processes and service centre call handling. These projects are effective at driving waste from our systems whilst improving outcomes for residents.

Achievements include conducting a pilot project which has demonstrated that contractors can take repair request calls directly from residents saving time and money and providing a more streamlined service. This will be extended to all residents during the year ahead. We have secured a new repairs contract for the London Region that will save in excess of £700K per year whilst delivering an improved service. We have also revised our energy procurement agreements resulting in reduced purchasing risk, producing savings of around 14% against the previous price paid, and delivering a direct benefit to residents by way of reduced service charges.

Risks and Uncertainties

We have a well established process for managing risk. A full time risk manager takes a strategic overview of risk across the Group and manages the associated areas of insurance and business continuity. The risk manager works with directors to produce detailed risk maps for all departments and operating subsidiaries. These are regularly monitored and where appropriate, actions are taken to mitigate risks.

The top risks map contains those risks that might significantly impede delivery of our strategic objectives. This map is reviewed by the Audit Committee twice each year and by the Board at its December meeting.

The current key (high rated) risks are:

Risk	Controls	Improvements
<p>Serious and/or numerous defects to new schemes are not picked up or dealt with promptly leading to strained relationships with new residents (particularly leaseholders) and reputational damage. Section 106 developers have little incentive to resolve defects.</p>	<ol style="list-style-type: none"> 1) Preventive action. Site inspections, building control, testing etc. 2) Handover inspection and snagging works. 3) 12 Month defect inspection and follow up works. 4) Defect arrangement project team set up which has produced an initial report. 	<ol style="list-style-type: none"> 1) Initial report of the defects arrangement project team to be considered and decision to be taken on action.
<p>The Group moves away from providing care and support services to vulnerable people in properties where it remains the landlord, leads to reputational damage caused by ineffective transitional management, poor communication and poor care and support services provided by others.</p>	<ol style="list-style-type: none"> 1) A dedicated Project Manager is in place. 2) A communications plan is in place. 3) Presentations to residents, staff & joint commissioning bodies. 	<ol style="list-style-type: none"> 1) Clear delineation of roles and responsibilities to avoid any confusion about which organisation is obliged to provide care and support services. 2) Undertake extensive consultation with local authorities and residents.
<p>Future mixed tenure development is significantly curtailed because shared ownership is not included in projects due to concerns about risk & viability and grant funding for intermediate rented units is inadequate or not available.</p>	<ol style="list-style-type: none"> 1) Short/medium term programmes include mixed tenures. 	<ol style="list-style-type: none"> 1) Lobby government and the HCA to ensure that enhanced grant rates are available if required. 2) Switch back into shared ownership when economy recovers. 3) Reduce exposure to future shared ownership in the programme. 4) Possible recycling of intermediate rent into shared ownership could yield surpluses to reinvest. 5) Strategic review of shared ownership options.

A potential risk to any housing association is fraud. Our procedures are designed to minimise the risk of fraud. We have in place a comprehensive fraud policy and response plan and staff attend seminars on fraud to keep abreast of recent developments. We keep a fraud register. No material frauds were identified during the year.

Community Regeneration

Our social and economic regeneration work focuses on tackling disadvantage and creating opportunity. This year we have prioritised financial inclusion support for residents, developing a business wide financial inclusion strategy and levering in support from a range of partner advice agencies. We have continued to build our employment and training programme and have supported almost 200 residents into employment or training activities. We have also established 8 youth forums, to give local young people a voice in their neighbourhood, enabling them to resolve local issues whilst gaining advocacy and mediation skills. During the year £81,322 was received from the Big Lottery for the Activate London programme.

Environmental

We continue to work towards achieving the objectives in our Sustainability Strategy and our key achievements over the past year include:

- Signing up to the Government's 'Halving Waste to Landfill' and contributing to reducing the amount of waste that goes to landfill by being more specific within our Employers requirements and contracts, on targets for reuse and recycling of construction waste.
- Extending recycling within our offices.
- Improving bicycle facilities at our main offices.
- All our new residents receive a leaflet on energy and water saving tips when they become a tenant/leaseholder.
- All staff and residents receive regular communications to raise awareness and understanding of environmental issues.
- Holding a consultation day for interested residents on environmental sustainability. We took a group of residents to visit a low carbon, low waste, low water scheme in south London. The day included interactive workshops run on communicating and engaging with residents. This was the initial stage in establishing a Customer Involvement Panel to consult residents on our Environmental Sustainability Strategy and Action Plan.

A key element of our environmental sustainability strategy is the focus on energy, for fuel poverty, climate change and resource security reasons. Our activities over the past year cover:

Our offices We have a target of reducing our energy use at our Head Office by 15% by 2011 and have implemented a number of actions to achieve this, which has resulted in a reduction of 10% last year and 18% over the last 2 years.

Our properties We have improved the energy efficiency of our properties via our homes improvement programme, funded in part through the Government's CERT (Carbon Emissions Reductions Target) and SHESP (Social Housing Energy Saving) programmes for loft and cavity wall insulation. This is estimated to deliver savings of around £120 per year on bills for each house and save up to 800kg CO₂ per household each year. As a result of this work, our average SAP rating has continued to improve to 68.6, almost three points up from end of 2009, which means a reduction in energy costs to residents and in carbon emissions.

Our communities Another exciting project that we are involved in is the Chale Green Low Carbon Communities Challenge project in partnership with the Ellen MacArthur Foundation. The Project was awarded £500,000 in December 2009 to retrofit 72 properties in an isolated community on the Isle of Wight; including air source heat pumps, new windows and solar PV panels. The project also involves a high level of engagement with the wider village on behavioural change to create an inclusive and low carbon community. Our ambition is that the lessons learnt from this project will inform further behavioural change initiatives.

Operational Performance

Our performance in key operational areas for 2009-10, against that achieved in previous years, is set out below. These performance areas reflect priorities from the annual performance targets in our Corporate Plan and are the key performance indicators monitored by the Board.

Resident Satisfaction

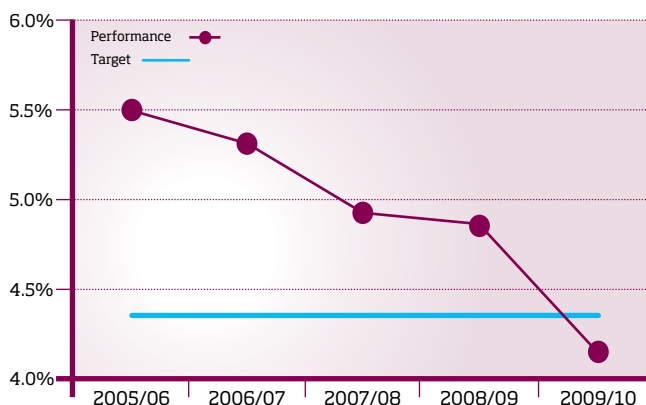
Resident Satisfaction is a key factor of our performance management. The transactional 'What Matters to Resident' surveys which cover our key service areas are widely considered in routine reporting. It is encouraging that action taken as a result of these surveys is improving both overall and repairs satisfaction in the STATUS surveys. We hope to see further improvements as the structural changes in Property Services seek to address residents' key concerns highlighted in the ongoing repairs surveys.

STATUS Survey Results	2006/07	2009/10	Change in Satisfaction
Residents Overall Satisfaction	72%	78%	+6%
Residents Satisfied with the overall Repairs Service	68%	76%	+8%

Rent Arrears

Rent Arrears reduced for the fourth consecutive year, falling by 0.7%. The reduction is due to the focus provided by our income management strategy. Work on early intervention and embedding of our financial inclusion services has helped reduce arrears whilst maintaining a low eviction rate. This has been achieved in what has been and remains a testing economic environment.

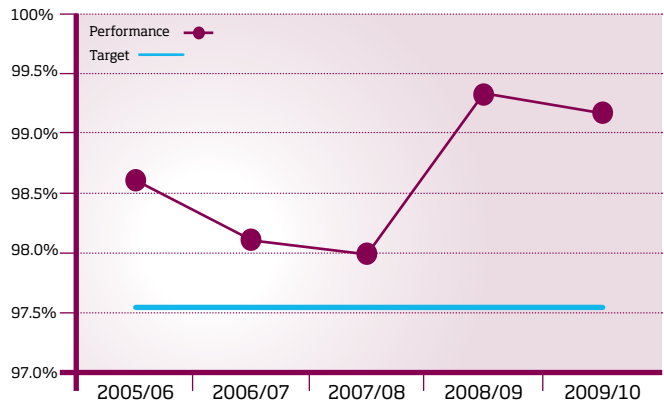
% Rent Arrears against annual debit



Gas Servicing

Following the great strides made in gas servicing in 2008/09 performance was generally maintained or improved in 2009/10 until the significant extreme winter weather which stretched resources and performance suffered. The position has now improved to previous levels. Tightly controlled arrangements continue to operate and work continues on learning from best practice to reduce the number of remaining homes without a gas service.

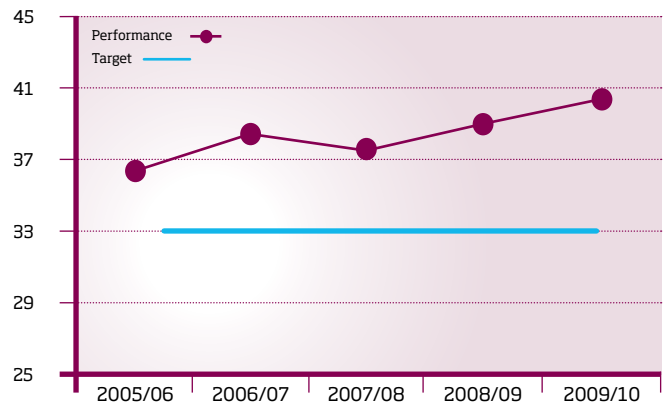
Gas Servicing: % of properties compliant



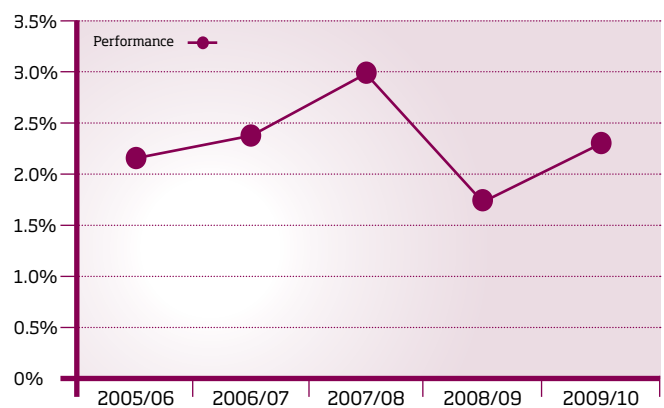
Voids

Performance on voids turnaround in 2009/10 is below the level that we had aimed for. The new voids process, implemented across our homes, has taken time to bed down and we expect to see the full benefits in the year ahead. We will then be able to analyse the time taken in each stage of the process, following improvements delivered by our management information project.

Average Void Turnaround Time (Days)



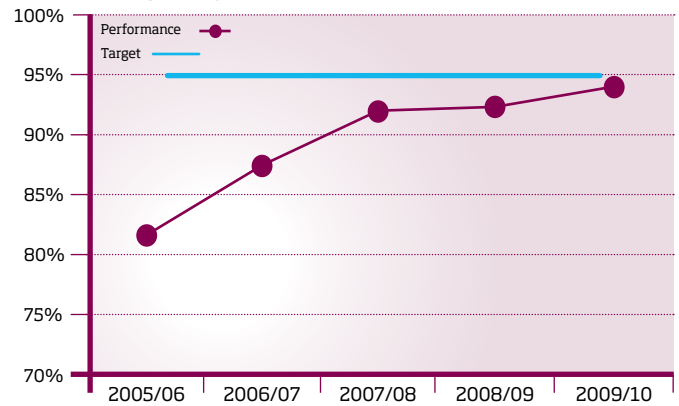
% of Units Void



Day to Day Repairs

We have improved our performance on emergency repairs in each of the last four years to a level where they are marginally below the target set. Emergency repairs are those due to be completed within 24 hours of being reported. Recent structural changes following a review of service delivery, have led to the introduction of Technical Services Managers in each region and subsidiary, with the aim of improving contract and performance management. With first time fix and end to end time indicators now in use, the improved management information due to be delivered in the summer will identify the key areas where greater focus for improved service provision is required, to help us further improve performance.

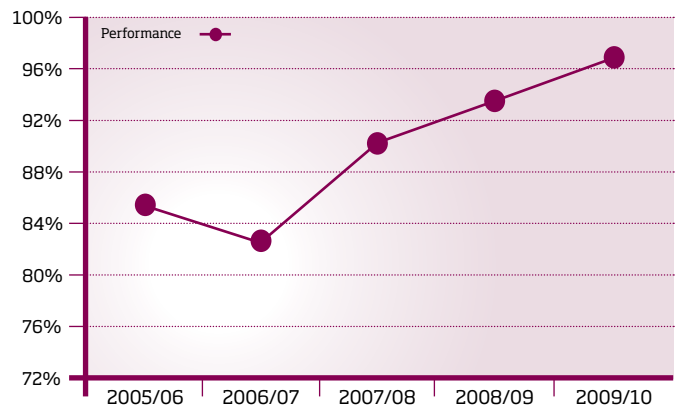
% Emergency Repairs completed on time



Decent Homes

Our comprehensive reinvestment programme has enabled us to increase the number of homes meeting the Government decency targets over the last year. Our programme continues to be delivered in line with projections, and we forecast it will be completed by the end of 2010 in line with the government target.

% of Homes Decent



Governance

The Board

The 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 the committees. The Board meets four times per year for regular business and once for a seminar to discuss strategic issues. Board members serve a maximum of three continuous terms of three years. The Board members who served during the year are listed on page 2 and attendance at meetings on page 14.

There are various subsidiary boards and committees. Each has detailed terms of reference which are established and monitored by the Board. The terms of reference include the frequency of meetings which range from two to four meetings per year.

Independent members of the Board are paid for their services to increase our ability to attract and retain high calibre Board members, and to improve mechanisms for performance appraisal and improvement for Board members.

The current annual rates of payment are:

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

The level of Board member remuneration was reviewed by the Remuneration and Nominations Committee during 2008/09 where it was determined that payment should be retained at existing levels for at least the next two years.

Committees

The Audit Committee

Considers the appointment of internal and external auditors, the scope of their work and the reports produced. It also reports to the Board on the operation of our risk management and internal control arrangements and reviews in detail the annual financial statements.

The Customer Services Committee

Considers the provision of services to our residents. This ranges from consideration of strategic policies to oversight of operational performance in relation to 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.

The Development Committee

Considers matters relating to our Development Strategy, including development of new properties and stock reinvestment. It also has oversight of the work of the Market Estate Committee and monitors performance in relation to property sales and first let of intermediate rent properties.

The Remuneration and Nominations Committee

Considers matters relating to Board remuneration, recruitment of new members, succession planning, skills training, Group salary structure, senior staff remuneration and the assessment of the performance of Board members. Skills training enables the Committee to review the skills that are required from time to time, to continually improve business performance. Succession planning helps to balance the composition of the Boards and Committees to reflect the profile of our residents.

The Treasury Committee

Considers in detail all aspects of treasury management, including long-term funding requirements and ensuring loan covenants are maintained.

Board members' attendance at Board meetings and Committees on which they serve are given below for the period from 1 April 2009 to 31 March 2010. Figures in brackets are the number of meetings a member was eligible to attend.

	Board	Audit	Customer Services	Development	Remuneration and Nominations Committee	Treasury	Group Pension Plan	SHO	SWHA	JBHA	SSL
Andrew McIntyre Chairman	4 (4)				4(4)	1(2)					
Lara Oyedele Appointed September 2009	3(3)			2(2)							
Tony Bourne	4(4)				4(4)	2(2)					
John Castelberg	3(4)							2(2)			4(4)
Tom Dacey	4(4)	4(4)			4(4)	2(2)		2(2)	2(4)		4(4)
Peter Goodacre	3(4)				4(4)					4(4)	
Malcolm Groves	3(4)	2(3)							4(4)		
Chris Hampson	4(4)		3(4)		2(2)						
Jim Hitch	3(4)		4(4)		4(4)			1(1)			2(3)
Jane Hives	4(4)	4(4)		4(4)		2(2)		2(2)			3(4)
Preth Rao Appointed July 2009	4(4)		3(3)								
David Kelly	4(4)		3(4)								
Neville Hudson Retired July 2009	1(1)	1(1)		1(1)	1(1)		2(2)	1(1)			1(1)
John Argent Retired July 2009	1(1)			1(1)				1(1)		1(1)	1(1)

Financial Performance

Southern Housing Group Financial Results, 5 Year Summary in £m

For the year ended 31 March

2010 **2009** **2008** **2007** **2006**

Income and Expenditure Account

Turnover	133.7	128.1	160.4	168.9	74.3
Operating costs	(102.7)	(100.8)	(117.3)	(121.3)	(58.6)
Operating surplus	31.0	27.3	43.1	47.6	15.7
Net interest charge	(24.2)	(22.2)	(19.8)	(19.1)	(10.9)
Surplus on sale of assets	1.4	3.7	9.3	8.5	6.0
Surplus for year	8.2	8.8	32.6	37.0	10.8

Balance Sheet

Housing properties at cost less depreciation	1,495.7	1,426.9	1,278.1	1,181.0	1,004.9
Less: Social Housing and other grants	(705.5)	(660.7)	(620.5)	(582.0)	(551.4)
	790.2	766.2	657.6	599.0	453.5
Other tangible fixed assets	39.8	38.4	37.1	34.0	23.4
Investments	105.0	3.3	4.5	3.5	4.2
Net current assets/(liabilities)	8.0	25.9	12.8	4.0	(18.7)
	943.0	833.8	712.0	640.5	462.4
Loans due after one year	686.4	580.8	467.8	428.7	294.7
Other long-term liabilities	20.3	23.5	21.0	20.3	14.8
Negative goodwill	15.7	15.9	16.1	16.3	13.3
Reserves	220.6	213.6	207.1	175.2	139.6
	943.0	833.8	712.0	640.5	462.4

Statistics

Operating margin	23%	21%	27%	28%	21%
Interest cover	131%	108%	179%	196%	101%
Gearing	73%	67%	57%	57%	43%
Units of accommodation in management	25,643	25,089	24,484	23,825	19,865

NB: The accounts for 2008-09 reflect the adoption of the Statement of Recommended Practice 2008 (SORP), which resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. The table above has been restated to show the effect on the results and balance as though the policy were in force in previous years.

Surplus

These financial statements demonstrate continued strong financial performance, with a surplus for the year to 31 March 2010 of £8.2m (2009: £8.8m). After adding back impairment and related charges underlying profit is £14.5m (2009: £12.7m).

Turnover

Turnover has increased by £5.6m (4.4%), whilst operating costs have been contained to an increase of £1.9m (1.9%) as a result of our continued focus on driving efficiency and VfM improvements throughout the Group.

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 bank and due to further falls during the year and where the expected benefits will not reach the original values, we have reduced these to the level of those expected benefits. The net effect of this work was to reduce the value of assets in the Balance Sheet by £6.3m (2009: £3.9m).

Pension costs

The Southern Housing Group scheme triennial valuation was completed during the year 2009/10. This valuation took place when the financial markets were at a low ebb. This together with the impact of increased longevity predictions has resulted in an increase in the actuarial deficit since the 2006/07 valuation. The pension trustees have agreed a revised deficit recovery plan for which approval is awaited from the Pensions Regulator.

Gift Aid

In recent years our policy has been to gift aid surpluses from SHO at a level to minimise SHO's Corporation tax liability. This year SHO has gift aided £8.4m (2009: £6.8m).

Interest

Net interest payable has increased by £1.8m in the year. This increase reflects the additional costs resulting from increased borrowing to fund investment in new homes.

Tangible fixed assets

The value of housing properties has increased to £1,500.2m (2009: £1,426.9m) due to the completion of nearly 800 affordable new homes.

Loans

Long-term loans have increased as a result of a £100m bond sourced loan which is currently lodged in charged bank accounts.

Treasury policies and objectives

We have a formal Treasury Management Policy which is regularly reviewed and approved by the Group's Treasury Committee (GTC). The Policy's purpose is to establish the framework within which we seek to protect 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.

All group RPs have adopted the new 'wider' rules for treasury management which increases the options and flexibility available to manage interest rate risk. Four stand-alone derivatives have been transacted by SHGL with a notional principal of £150m hedged. £45m of the existing floating to fixed hedging has impacted on the 2009/10 results together with four months of a new £75m fixed to floating hedge. The new £75m fixed to floating hedge was completed during 2009/10 (becoming effective in December 2009) and was transacted to specifically offset the holding cost impact of a new £100m fixed rate loan. A further £30m of floating to fixed hedging is due to become effective in July 2010. Derivatives will not be used for speculative purposes or in such a way that an additional exposure to market forces is created. Credit risk is kept under review and where a counterparty's credit rating falls below the agreed criteria specific approval to use and/or retain that counterparty will be sought from the GTC.

Capital Structure

Our current policy continues to be to raise new funds through bilateral arrangements with major lenders to the sector and take the appropriate opportunities to access the capital markets as these arise. Our aim is to have in place facilities with a number of core lenders, thereby balancing the risk of a lender withdrawing from the sector with the cost of managing a large number of relationships. Within this funding context, additional bilateral facilities which seek to tie in a re-pricing of existing debt as a 'quid pro quo' for provision of new funds have been and will continue to be strongly resisted.

SHGL

During 2009/10 the following facilities were completed:

- THFC £15m (funded via the European Investment Bank).
- THFC £100m (funds sourced from a 6.35% THFC Bond issue).

No negotiations are currently in progress for any new borrowings.

Borrowings summary

	31 March 2010		31 March 2009	
	Available facility £m	Drawn £m	Available facility £m	Drawn £m
SHGL				
Capital Markets	137.0	137.0	37.6	37.6
Bilateral	529.7	403.7	514.9	403.9
Total in place	666.7	540.7	560.0	441.5
Under finalisation / negotiation	Nil		15.0	
SHO				
Total in place (all bilateral)	37.8	37.8	40.0	27.8
SWHA				
Capital Markets	1.2	1.2	1.2	1.2
Bilateral	46.0	46.0	46.0	46.0
Total in place	47.2	47.2	47.2	47.2
JBHA				
Capital Markets	9.6	9.6	9.6	9.6
Bilateral	47.7	46.7	49.3	48.3
Total in place	57.3	56.3	58.9	57.9
SSL				
Total in place (all bilateral)	Nil	Nil	5.0	0.2

Our treasury policy is to have a mix of fixed, variable and index linked interest rate loans. Under normal circumstances rates will not be fixed/hedged on more than 70% of total debt.

Committed Facilities

All of SHGL's £126m un-drawn committed facilities are secured and available for drawing. The funds in respect of the THFC £100m bond sourced loan are all currently lodged in charged bank accounts. Security in respect of this loan has been identified, valuations finalised and the legal process is now in progress with targeted completion for the funds to be released being the end of June 2010. It is forecast that the undrawn available facilities and the funds to be released will support SHGL's existing committed development programme for the next 24 months. As at 31 March 2010, SHGL had over 3,500 rented and over 750 shared ownership unencumbered units available as potential security to support further facilities, after allowing for the security identified to secure the THFC £100m loan.

Funding profile

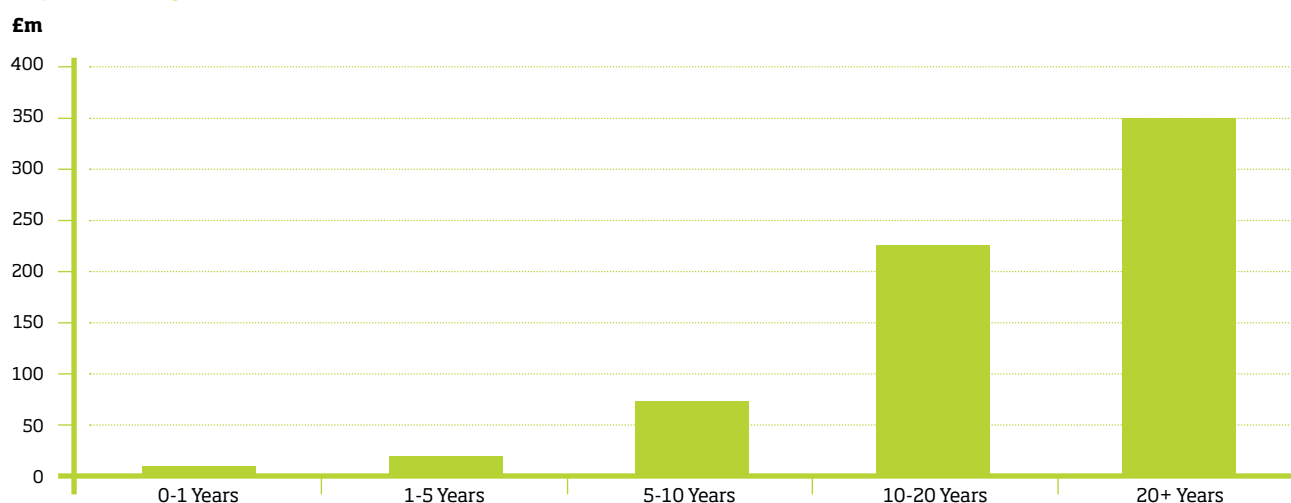
	31 March 2010			31 March 2009		
	Fixed rate £m	Variable rate £m	Index linked £m	Fixed rate £m	Variable rate £m	Index linked £m
SHGL	345.6	172.3	22.8	261.0	157.4	23.1
SHO	nil	37.8	nil	nil	27.8	nil
SWHA	31.2	16.0	nil	31.2	16.0	nil
JBHA	40.5	15.8	nil	45.5	12.4	nil
SSL	nil	nil	nil	nil	0.2	nil

Fixed rate debt includes debt where the applicable interest rate is certain for longer than one year. Variable rate is any debt where the interest rate is fixed for less than 12 months at the balance sheet date, including any where the agreement is for a longer period but where the bank has the option to cancel in this period. £50m of cancellable transactions were in place at 31 March 2010 with bank option dates exercisable within 12 months.

Debt maturity

The profile of debt repayments as at 31 March 2010 for the Group is:

Group Maturity Profile at 31 March 2010



Cash Flow

During the year net cash of £70.0m was derived from operating activities and £15.6m was received from the disposal of housing properties. As a developing Group there were significant cash flows from new development with spend of £103.1m before receipt of grant of £44.8m. Loans of £3.4m were repaid in the year and a total of £108.9m was drawn from loan facilities.

Liquidity

Our normal policy is not to hold significant cash balances but to have loan facilities in place to fund future requirements. Any short-term balances are invested at competitive rates overnight or for a term period as appropriate. However, during the continuing, albeit greatly eased, limited credit availability environment combined with the potential

risk of agreed facilities being removed at short notice, in certain circumstances we will draw down funds ahead of requirement to protect liquidity.

We maintain a list of investment limits for authorised organisations with whom we will place deposits based on short term credit ratings.

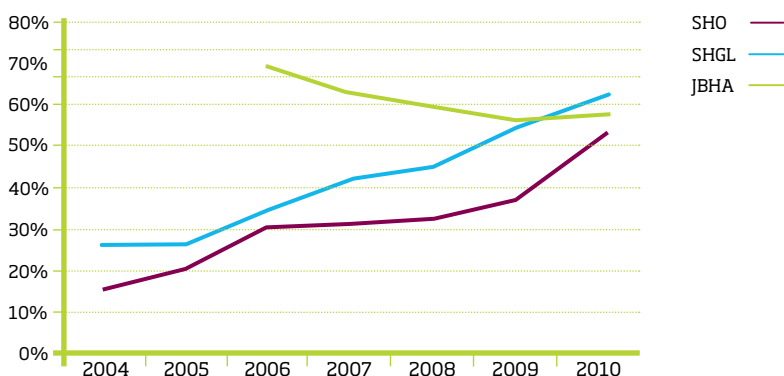
Loan covenants

Each association within the Group sets loan covenants with its lenders based on the circumstances of the association. For SHGL, SHO and JBHA loan covenants are primarily based on interest cover and gearing. In the case of interest cover the calculation is after adding back housing property depreciation and in most cases includes surpluses from sale.

Net income cover covenants	2010 range	2009 range
SHGL income covenants	0.80 – 1.15	0.80 – 1.15
SHGL actuals	1.57 – 2.43	2.47 – 3.01
SHO income covenants	1.00 – 1.15	1.00 – 1.15
SHO actuals	8.01 – 8.13	6.41 – 6.48
SWHA income covenants	1.15 (no range)	1.04 – 1.15
SWHA actuals	1.88 – 2.02	1.83 (no range)
JBHA income covenants	1.10 – 2.00	1.10 – 2.00
JBHA actuals	1.55 – 5.10	1.62 – 4.21

SHGL gearing ratio covenants are set from 65% to a maximum of 75%. SHO gearing ratio covenants are set from 60% to a maximum of 65%. The overall level of gearing is primarily influenced by the level of development activity. JBHA gearing ratio covenants are set from 70% to a maximum of 75%. SWHA has a debt per rented unit loan covenant rather than a gearing ratio. The ratios as at 31 March 2010 are shown below and all covenants in all Group entities are met.

Gearing Ratios



Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the 2008 SORP, Accounting for Registered Social Landlords.

Statement of Board's Responsibilities in respect of the Board's Report and Financial Statements

The Board is responsible for preparing the Report and the financial statements in accordance with applicable law and regulations. Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the surplus or deficit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Corporate governance

The Board confirms that the Group has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage and reduce, 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.

We operate ongoing processes for identifying, evaluating and managing the significant risks faced by the Group. They have been in place for the year to 31 March 2010 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.

Risk assessment

Our objectives are contained within the Corporate Plan. There is a process for cascading these objectives throughout the organisation to each operational team and to individual employee's objectives. Assessment of resultant risk is mapped for each entity within the Group. Our 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 members of Boards and sub-committees, and for staff.
- staff job descriptions and supervisory procedures.

Information

There is a timely system for reporting on progress against our plans. The Boards and their sub-committees receive regular and extensive reports on all key areas of performance.

Monitoring

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

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, thereby improving the control environment.

Review of effectiveness

The Board has reviewed the effectiveness of the internal controls through the work of the Audit Committee, which reports regularly 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 year under review and up to the date of approval of this report.

Disclosure of information to auditors

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

Auditors

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

Andrew McIntyre

Chairman

On behalf of the Board

12 July 2010

Auditors' Report for the year ended 31 March 2010

We have audited the financial statements of Southern Housing Group Limited for the year ended 31 March 2010 which comprise the Group and Association Income and Expenditure Accounts, the Group Statements of total recognised surpluses and deficits, the Group and Association Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The responsibility of the Association's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on pages 20 and 21.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Chris Wilson, Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Forest Gate,
Brighton Road,
Crawley, West Sussex RH11 9PT

Income and Expenditure Accounts

for the year ended 31 March 2010

	Note	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Turnover	2	133,731	128,102	95,200	105,398
Operating costs	2	(102,761)	(100,814)	(70,118)	(70,320)
Operating surplus		30,970	27,288	25,082	35,078
Share of operating deficit in joint venture	13	(17)	–	–	–
Total operating surplus including share in joint venture		30,953	27,288	25,082	35,078
Surplus/(deficit) on sale of fixed assets	5	1,413	3,666	(1,349)	3,423
Interest receivable and other income	6	2,212	1,044	2,310	988
Interest payable and similar charges	7	(25,830)	(22,746)	(20,134)	(16,037)
Other finance costs	8	(502)	(461)	–	–
Surplus on ordinary activities for the year	9	8,246	8,791	5,909	23,452
Tax on surplus on ordinary activities	10	–	–	–	–
Surplus for the year		8,246	8,791	5,909	23,452

All turnover and operating costs for the current and prior years are attributable to continuing operations. The notes on pages 27 to 58 form part of these financial statements.

Statement of total recognised surpluses and deficits

	Note	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Surplus for the year		8,246	8,791	5,909	23,452
Unrealised surplus/(deficit) on investments	25	891	(1,075)	891	(1,075)
Actuarial deficit relating to pension schemes	4	(2,104)	(1,187)	–	–
Total recognised surplus since last report		7,033	6,529	6,800	22,377

Historical cost surpluses and deficits were identical to those shown in the Income and Expenditure Account.

Balance Sheets

As at 31 March 2010

Tangible fixed assets	Note	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Housing properties at cost less depreciation	11	1,495,683	1,426,879	1,231,212	1,169,116
Less: Social Housing Grant and other grants	11	(705,447)	(660,656)	(637,268)	(591,115)
Net housing properties		790,236	766,223	593,944	578,001
Other tangible fixed assets	12	39,786	38,350	31,570	30,834
Total tangible fixed assets		830,022	804,573	625,514	608,835
Investments					
Investments at market value	13	104,472	2,706	104,497	2,731
Investments in subsidiaries	13	–	–	11,826	12,609
Investment in joint ventures	13	483	–	–	–
Homebuy and starter home initiatives	13	9,946	10,402	–	–
Less: Social Housing Grant	13	(9,396)	(9,789)	–	–
		935,527	807,892	741,837	624,175
Current assets					
Properties for sale	14	13,994	16,596	2,146	2,296
Debtors	15	10,829	22,898	14,613	36,502
Cash at bank and in hand	16	30,482	27,954	15,333	12,903
		55,305	67,448	32,092	51,701
Creditors: Amounts falling due within one year	17	(47,821)	(41,552)	(30,092)	(35,869)
Net current assets		7,484	25,896	2,000	15,832
Total assets less current liabilities		943,011	833,788	743,837	640,007
Creditors: Amounts falling due after more than one year					
Housing loans	18	686,383	580,784	537,263	439,107
Recycled capital grant fund	19	5,543	8,931	1,979	1,129
Disposal proceeds fund	20	1,456	2,967	1,367	2,878
Deferred income	21	1,938	2,178	1,339	1,517
Provisions for liabilities and charges	22	60	368	–	287
Net pension liability	4	11,293	9,056	–	–
Capital and Reserves					
Share capital	23	–	–	–	–
Revenue reserves	24	218,537	212,395	200,049	194,140
Revaluation reserves	25	1,656	765	1,656	765
Designated and restricted reserves	26	431	431	184	184
Negative goodwill	27	15,714	15,913	–	–
		943,011	833,788	743,837	640,007

The notes on pages 27 to 58 form part of these financial statements. These financial statements were approved by the Board on 12 July 2010.

Signed on behalf of the Board

Andrew McIntyre
Chairman

Jane Hives
Board Member

Phillippa Caine
Secretary

Consolidated Cash Flow Statement

for the year ended 31 March 2010

	Note	2010 £000s	2009 £000s
Net cash inflow from operating activities	(a)	70,337	26,171
Interest received		2,212	1,044
Interest paid		(29,171)	(27,108)
Other finance costs		(502)	(461)
Returns on investments and servicing of finance		(27,461)	(26,525)
Housing properties purchased		(95,285)	(161,662)
Capital grants received		44,791	40,184
Other fixed assets purchased		(3,345)	(2,212)
Housing and other fixed asset sale receipts		15,315	17,510
Capital expenditure		(38,524)	(106,180)
Investment (purchase)/sale		(101,295)	80
Financial investment		(101,295)	80
Net cash outflow before management of liquid resources and financing	(b)	(96,943)	(106,454)
Financing and management of liquid resources			
Charged Funds	(c)	–	25,145
Debt due within one year	(c)	(989)	(5,719)
Debt due after one year	(c)	100,460	90,299
		(99,471)	(109,725)
Increase in cash in the year	(c)	2,528	3,271

Notes to the Consolidated Cash Flow Statement

for the year ended 31 March 2010

	2010 £000s	2009 £000s
a) Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	30,953	27,288
Depreciation charges	10,581	9,438
Impairment	6,278	2,978
Decrease/(Increase) in stock of homes for re-sale	1,819	(9,690)
Decrease/(Increase) in debtors	12,069	(27)
Increase/(Decrease) in creditors	9,144	(3,517)
Decrease in provisions for liabilities and charges	(308)	(70)
Amortisation of negative goodwill	(199)	(229)
Net cash inflow from operating activities	70,337	26,171

b) Reconciliation of net cash flow to movements in net debt

Increase in cash in the year	2,528	3,271
Decrease in charged funds in the year	–	(25,145)
Cash inflow from decrease in:		
New loans	(108,948)	(91,272)
Overdraft	987	2,500
Loan repayments	3,351	5,446
Disposal proceeds fund	1,511	13
Recycled capital grant fund	3,388	(1,580)
Deferred income	240	314
Movement in net debt in the year	(96,943)	(106,453)
Net debt at the start of the year	(570,293)	(463,840)
Net debt at the end of the year	(667,236)	(570,293)

c) Analysis of net debt

	At 1 April 2009 £000s	Cash flow £000s	At 31 March 2010 £000s
Cash at bank and in hand	27,954	2,528	30,482
Charged funds	–	–	–
Debt due within one year:			
Bank overdraft	(987)	987	–
Housing loans	(2,400)	2	(2,398)
Debt due after more than one year:			
Housing loans	(580,784)	(105,599)	(686,383)
Disposal proceeds fund	(2,967)	1,511	(1,456)
Recycled capital grant fund	(8,931)	3,388	(5,543)
Deferred income	(2,178)	240	(1,938)
	(594,860)	(100,460)	(695,320)
Total	(570,293)	(96,943)	(667,236)

Notes to the Financial Statements

for the year ended 31 March 2010

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting by Registered Social Landlords" issued in 2008, the Accounting Requirements for Registered Social Landlords General Determination 2006, and on the historical cost basis (as modified by the revaluation of certain investments). The accounting policies have been consistently applied. A summary of the more important accounting policies is below.

Basis of consolidation

The consolidated accounts incorporate the financial statements of Southern Housing Group Limited (Parent Body), Southern Home Ownership Limited, South Wight Housing Association Limited, James Butcher Housing Association Limited, and Southern Space Limited.

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

Turnover

Turnover represents rental and service charge income receivable from properties owned by the Group and those managed for third parties, fees receivable and revenue grants from the Homes and Communities Agency and other public authorities. It also includes receipts from the sale of the 1st tranche of shared ownership properties and proceeds from the sale of properties developed for the open market which are recognised on legal completion.

Housing properties

Housing properties are held at cost less the amount of grants received towards their costs and 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.

Backlog works relating to stock acquired from Local Authority transfers are also capitalised. All other repair and replacement expenditure is charged to the Income and Expenditure Account.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale. Donated land is treated as both a cost of land and grant received. 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 annual rates:

Housing properties held for letting:

Structure	100 years
Major components	15 to 60 years

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

Commercial shops	30 years
Freehold offices	between 30 and 60 years
Plant, machinery, fixtures and vehicles	between 3 and 5 years
Computer equipment	5 years

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

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 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 Funds 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 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.

Investments

SHO and SWHA retain 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. Listed and unlisted investments are stated at market value.

Stock and work in progress

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

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.

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.

Leased assets

Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight line basis over the life of the lease.

Taxation

No taxation is payable on the charitable surpluses of the Parent Body, SWHA and JBHA. Taxation is chargeable on the surpluses of SHO and SSL. Surpluses are transferred by Gift Aid to reduce the tax payable by the Group. The Group is registered for Value Added Tax. A large proportion of the VAT incurred by the Group cannot be recovered as the bulk of its turnover arises from exempt activities.

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.

Retirement benefits

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. SWHA participates in a defined benefit pension scheme which is administered by the Isle of Wight Council.

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 amendment to FRS 17 Retirement Benefits have been adopted in these financial statements for the first time and the disclosures that are required have been presented for both the current and comparative periods. The amendments to FRS 17 also require that quoted securities are valued at their current bid price rather than their mid market value. The Group considers that this change in valuation method is immaterial and has not made a prior year adjustment in respect of this.

The Social Housing Pensions Scheme (SHPS)

SWHA and JBHA also participate in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Association. The Association 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 in respect of the accounting period.

Shared ownership (SO) first tranche sales

SO properties are split proportionally between current assets and fixed assets, based on the first tranche proportion.

First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover.

The remaining elements of the SO properties are accounted for as fixed assets. Subsequent sales are treated as part disposals.

2 Particulars of turnover, cost of sales, operating costs and operating surpluses/(deficits)

Group	2010 Turnover £000s	2010 Operating Costs £000s	2010 Operating surplus £000s	2009 Turnover £000s	2009 Operating Costs £000s	2009 Operating surplus £000s
Social housing lettings	110,520	(83,211)	27,309	102,133	(77,305)	24,828
Other social housing activities						
Supporting people	2,482	(2,354)	128	2,392	(2,382)	10
1st Tranche Sales	10,432	(7,444)	2,988	17,981	(13,833)	4,148
Other	314	(2,529)	(2,215)	99	(1,142)	(1,043)
Non-social housing activities						
Commercial income	1,291	(827)	464	1,289	(788)	501
Market renting lettings	99	(31)	68	38	(23)	15
Open Market Sales	6,745	(5,159)	1,586	3,670	(3,733)	(63)
Impairment of Open Market housing properties	–	(453)	(453)	–	(968)	(968)
Other	1,848	(753)	1,095	500	(640)	(140)
Total	133,731	(102,761)	30,970	128,102	(100,814)	27,288

Particulars of Income and Expenditure from Social Housing Lettings

Group	General needs £000s	Housing for older people £000s	Supported housing £000s	Registered care homes £000s	Intermediate Rent £000s	Shared ownership £000s	Total 2010 £000s	Total 2009 £000s
Rent receivable net of identifiable service charges	73,904	8,959	802	–	2,450	9,616	95,731	87,327
Charges for Support Services	12	1,217	283	59	–	–	1,571	1,468
Service charges receivable	5,811	4,084	348	505	117	967	11,832	10,459
Gross rental income	79,727	14,260	1,433	564	2,567	10,583	109,134	99,254
Add: Income from properties managed for third parties	1,213	–	–	–	–	172	1,385	2,857
Revenue grants received for major repairs	1	–	–	–	–	–	1	22
Turnover from social housing lettings	80,941	14,260	1,433	564	2,567	10,755	110,520	102,133
Services	(7,909)	(3,960)	(378)	(651)	(98)	(1,077)	(14,073)	(13,066)
Support	–	(1,207)	(416)	(100)	–	–	(1,723)	(1,609)
Management	(18,981)	(3,865)	(171)	(51)	(439)	(2,617)	(26,124)	(26,370)
Rent losses from bad debts	(333)	(8)	(21)	(5)	(2)	28	(341)	(956)
Routine maintenance	(13,957)	(1,811)	(314)	(19)	(138)	(183)	(16,422)	(14,633)
Planned maintenance	(6,620)	(691)	(118)	(6)	(4)	(43)	(7,482)	(6,936)
Major repairs expenditure	(10,963)	(4,391)	(83)	–	–	4	(15,433)	(14,556)
Repairs capitalised	9,891	3,192	6	–	–	–	13,089	11,399
Depreciation of housing properties	(7,771)	(832)	(36)	–	(127)	–	(8,766)	(7,387)
Impairment of housing properties	(5,825)	–	–	–	–	–	(5,825)	(2,978)
Other costs	62	37	(206)	6	(1)	(9)	(111)	(213)
Operating costs on social housing lettings	(62,406)	(13,536)	(1,737)	(826)	(809)	(3,897)	(83,211)	(77,305)
Operating surplus on social housing lettings	18,535	724	(304)	(262)	1,758	6,858	27,309	24,828
Void losses	1,261	619	89	53	75	6	2,103	1,257

2 Particulars of turnover, cost of sales, operating costs and operating surpluses/(deficits) (continued)

Association	2010 Turnover £000s	2010 Operating Costs £000s	2010 Operating surplus £000s	2009 Turnover £000s	2009 Operating Costs £000s	2009 Operating surplus £000s
Social housing lettings	73,063	(57,541)	15,522	66,961	(54,346)	12,615
Other social housing activities						
Supporting people	135	(185)	(50)	126	(123)	3
1st Tranche Sales	7,057	(4,991)	2,066	12,646	(10,218)	2,428
Other	11,812	(5,686)	6,126	24,103	(4,050)	20,053
Non-social housing activities						
Commercial income	1,235	(820)	415	1,230	(749)	481
Impairment of Open Market housing properties	–	–	–	–	(135)	(135)
Other	1,898	(895)	1,003	332	(699)	(367)
Total	95,200	(70,118)	25,082	105,398	(70,320)	35,078

Particulars of Income and Expenditure from Social Housing Lettings

Association	General needs £000s	Housing for older people £000s	Supported housing £000s	Intermediate Rent £000s	Shared ownership £000s	Total 2010 £000s	Total 2009 £000s
Rent receivable net of identifiable service charges	54,963	3,884	244	2,088	4,076	65,255	58,225
Service charges	4,410	1,179	86	84	305	6,064	5,548
Charges for support services	12	306	45	–	–	363	329
Gross rental income	59,385	5,369	375	2,172	4,381	71,682	64,102
Add: Income from properties managed for third parties	1,209	–	–	–	172	1,381	2,859
Turnover from social housing lettings	60,594	5,369	375	2,172	4,553	73,063	66,961
Management	(15,984)	(1,945)	(139)	(394)	(1,385)	(19,847)	(20,432)
Services	(6,256)	(1,378)	(108)	(93)	(402)	(8,237)	(7,368)
Support	–	(220)	(69)	–	–	(289)	(301)
Routine maintenance	(10,058)	(952)	(103)	(98)	(183)	(11,394)	(10,212)
Planned maintenance	(4,818)	(232)	(25)	(3)	(36)	(5,114)	(4,655)
Major repairs expenditure	(7,603)	(1,034)	(6)	–	4	(8,639)	(7,735)
Major repairs capitalised	7,170	1,034	6	–	–	8,210	5,247
Bad debts	(107)	25	–	–	(4)	(86)	(763)
Other costs	(8)	(2)	–	(1)	(5)	(16)	–
Impairment of housing properties	(5,817)	–	–	–	–	(5,817)	(2,978)
Depreciation of housing properties	(5,722)	(506)	(36)	(48)	–	(6,312)	(5,149)
Operating costs on social housing lettings	(49,203)	(5,210)	(480)	(637)	(2,011)	(57,541)	(54,346)
Operating surplus on social housing lettings	11,391	159	(105)	1,535	2,542	15,522	12,615
Void losses	1,024	99	18	70	6	1,217	712

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

	2010	2009
	£s	£s
Total emoluments to directors and former directors (including salaries, fees, pension contributions and other benefits)		
Non-executive	62,452	83,349
Executive	1,039,641	1,009,333
	<u>1,102,093</u>	<u>1,092,682</u>

The emoluments (excluding pension contributions) payable to the Group Chief Executive, who is also the highest paid director, were £183,430 (2009: £176,698). The Group Chief Executive is an ordinary member of the Group pension scheme, and no enhanced or special terms apply. One Board member waived entitlement to remuneration.

4 Employee information

	Group	Group	Association	Association
	2010	2009	2010	2009
	No.	No.	No.	No.
Average number of full-time equivalent employees	811	796	535	514
	Group	Group	Association	Association
	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Staff costs (for the above employees)				
Wages and salaries	22,184	20,986	16,280	15,386
Social security costs	2,075	1,937	1,607	1,494
Other pension costs	1,735	1,572	1,260	1,191
	<u>25,994</u>	<u>24,495</u>	<u>19,147</u>	<u>18,071</u>

4 Employee information (continued)

Pension Schemes

Members of the Group participate in a number of pension schemes:

a) Defined benefit schemes

SHGL and SHO contribute to the Southern Housing Group scheme which closed to new members from 31 March 2003.

SWHA and JBHA contribute to the Social Housing Pension Scheme. The scheme was closed to new members from 1 January 2007.

SWHA contributes to the Isle of Wight Council Pension Fund for employees who transferred from the Isle of Wight Council or other local authorities.

b) Defined contribution schemes

A defined contribution scheme run by AEGON Scottish Equitable based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

Balance sheet presentation of all pension schemes

	2010 £000s	2009 £000s
Total reserves excluding pension liability	231,917	222,647
Pension liability	(11,293)	(9,056)
Total reserves including pension liability	<u>220,624</u>	<u>213,591</u>

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 2009 and was updated for FRS 17 purposes to 31 March 2010 by a professional qualified independent actuary, the rates of contribution being determined by the actuary.

It has been agreed that the employer contribution rate to be applied from 1 July 2010 is:

- Pre July 1992 members 26.7% (2009/10: 26.3%)
- Post July 1992 members 20.7% (2009/10: 20.3%)
- plus an additional annual payment of £462,810 in 2010/11 and £644,400 2011/12.

The major assumptions used in this valuation were:

Actuarial assumptions	2010 %pa	2009 %pa	2008 %pa
Rate of increase in salaries	4.70	3.80	4.50
Rate of increase in pensions in payments and deferred pensions	3.30	2.80	3.50
Discount rate	5.50	6.00	6.00
Inflation assumption	3.30	2.80	3.50

4 Employee information (continued)

Southern Housing Group Pension Scheme (continued)

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 interested 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	2010 £000s	2009 £000s	2008 £000s
Equities	10,650	6,808	9,837
Bonds	7,414	6,422	5,935
Property	690	628	848
Cash	506	414	339
Total market value of assets	19,260	14,272	16,959
Present value of scheme liabilities	(26,842)	(21,113)	(23,014)
Deficit in the scheme	(7,582)	(6,841)	(6,055)
Net pension liability	(7,582)	(6,841)	(6,055)

Long-term rate of return

	2010 %	2009 %	2008 %
Equities	6.50	6.50	6.50
Bonds	6.50	6.50	5.25
Property	6.00	6.00	6.00
Cash	4.00	4.00	4.00

Movements in present value of defined benefit obligation

	2010 £000s	2009 £000s
At 1 April 2009	21,113	23,014
Current service cost	535	623
Interest on obligation	1,265	1,395
Contribution by members	139	143
Actuarial gains/(losses)	4,536	(3,778)
Benefits paid	(746)	(284)
At 31 March 2010	26,842	21,113

Movement in fair value of fund assets

	2010 £000s	2009 £000s
At 1 April 2009	14,272	16,959
Expected returns on fund assets	920	1,042
Contribution by members	139	143
Actuarial gains/(losses)	3,887	(4,483)
Contributions by employer	788	895
Benefits paid	(746)	(284)
At 31 March 2010	19,260	14,272

4 Employee information (continued)

Movement in deficit during year	2010 £000s	2009 £000s	2008 £000s
Deficit in scheme at beginning of year	(6,841)	(6,055)	(5,312)
Current service cost	(535)	(623)	(688)
Past service cost	–	–	–
Contributions paid	788	895	844
Other finance expense	345	(353)	(134)
Actuarial loss	(649)	(705)	(765)
Deficit in scheme at end of year	(7,582)	(6,841)	(6,055)

Analysis of other pension costs charged in arriving at operating surplus	2010 £000s	2009 £000s	2008 £000s
Current service cost	(535)	(623)	(688)

Analysis of amounts included in other finance income/expense	2010 £000s	2009 £000s	2008 £000s
Expected return on pension scheme assets	920	1,042	1,083
Interest on plan liabilities	(1,265)	(1,395)	(1,217)
	(345)	(353)	(134)

Analysis of amount recognised in statement of total recognised surpluses and deficits	2010 £000s	2009 £000s	2008 £000s
Actual return less expected return on assets	3,887	(4,483)	(2,305)
Experience gains/(losses) arising on scheme liabilities	1,025	6	(85)
Change in assumptions underlying the present value of scheme liabilities	(5,561)	3,772	1,625
Actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits	(649)	(705)	(765)

History of scheme

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

	2010 £000s	2009 £000s	2008 £000s
Present value of scheme liabilities	26,845	21,113	23,014
Fair value of scheme assets	(19,260)	(14,272)	(16,595)
Deficit	7,582	6,841	6,419

4 Employee information (continued)

History of experience gains and losses	2010 £000s	2009 £000s	2008 £000s
Difference between the expected and actual return on scheme assets:			
Amount	3,887	(4,483)	(2,305)
Percentage of year end scheme assets	20.2%	(31.4%)	(13.6%)
Experience gains arising on scheme liabilities			
Amount	1,025	6	(85)
Percentage of present value of year end scheme liabilities	3.8%	0.0%	(0.4%)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses			
Amount	(649)	(705)	(765)
Percentage of present value of year end scheme liabilities	(2.4%)	(3.3%)	(3.3%)

The Social Housing Pensions Scheme

JBHA and SWHA participate in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the state 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 2008, 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 3 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 period JBHA and SWHA paid contributions at the rate of 17.1%. Member contributions varied between 6.4% and 8.4% for JBHA and 5.1% to 8.4% for SWHA.

At the balance sheet date, there were 32 active members in JBHA and 34 in SWHA. The annual pensionable payroll in respect of these members was JBHA £701,102 and SWHA £720,129.

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.

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 scheme assets are co-mingled for investment purposes and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million.

4 Employee information (continued)

The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

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

Valuation Discount Rates

Pre retirement	7.8% pa
Non Pensioner Post retirement	6.2% pa
Pensioner Post retirement	5.6% pa
Pensionable earnings growth	4.7% pa
Price inflation	3.2% pa

Pension Increases

Pre 88 GMP	0.0% pa
Post 88 GMP	2.8% pa
Excess over GMP	3.0% pa

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement – PA92 Year of Birth long cohort projection, minimum improvement 1%pa.
- Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa.

The long-term joint contribution rates that will apply from April 2010 required 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	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with a 1/60th accrual rate	14.9

4 Employee information (continued)

The Social Housing Pensions Scheme (continued)

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 £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

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

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

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

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

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). The Regulator is currently in the process of reviewing the recovery plan for the SHPS Scheme in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

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.

4 Employee information (continued)

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 Isle Of Wight Council Pension Scheme

The Association participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension Fund. 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 2007 and was updated for FRS 17 purposes to 31 March 2010 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 18.7% of pensionable pay will apply for 2009/10 (2008/09: 15% plus £102,800).

The major assumptions used in this valuation were:

Actuarial assumptions	2010 %pa	2009 %pa	2008 %pa
Rate of increase in salaries	5.30	4.60	5.10
Rate of increase in pensions in payments and deferred pensions	3.80	3.10	3.60
Discount rate	5.50	6.90	6.90
Inflation assumption	3.80	3.10	3.60

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: 20.8 years (male), 24.1 years (female).
- Future retiree upon reaching 65: 22.3 years (male), 25.7 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.

4 Employee information (continued)

The Isle of Wight Pension Scheme (continued)

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 the cash flow projections over long periods and thus inherently uncertain, were:

	2010 £000s	2009 £000s	2008 £000s
Equities	2,586	1,945	2,427
Bonds	790	533	561
Property	180	133	225
Other	36	53	153
Total market value of assets	3,592	2,664	3,366
Present value of scheme liabilities	(7,303)	(4,879)	(5,076)
Deficit in the scheme	(3,711)	(2,215)	(1,710)
Net pension liability	(3,711)	(2,215)	(1,710)

Long-term rate of return

	2010 %	2009 %	2008 %
Equities	7.80	7.00	7.70
Bonds	5.00	5.60	5.70
Property	5.80	4.90	5.70
Cash	4.80	4.00	4.80

The market value of the scheme's assets (whole Fund) at 31 March 2010 was £297.0 million.

Recognition of defined benefit obligation

	2010 £000s	2009 £000s
Opening defined benefit obligation	4,879	5,076
Current service cost	30	39
Interest cost	330	345
Contribution by members	14	15
Actuarial losses/(gains)	2,293	(394)
Past service costs	–	18
Losses on curtailments	2	4
Estimated benefits paid	(245)	(224)
Deficit in scheme at end of year	7,303	4,879

4 Employee information (continued)

The Isle of Wight Pension Scheme (continued)

Recognition of fair value of employer assets	2010 £000s	2009 £000s
Opening fair value of employer assets	2,664	3,366
Expected return on assets	173	237
Contributions by members	14	15
Contributions by employer	148	146
Actuarial gains/(losses)	838	(876)
Benefits paid	(245)	(224)
Total charged to operating cost	<u>3,592</u>	<u>2,664</u>

Expense recognised in Income and Expenditure Account	2010 £000s	2009 £000s
Current service cost	30	39
Interest cost	330	345
Expected return on employer assets	(173)	(237)
Past service costs	–	18
Losses on curtailments and settlements	2	4
Total	<u>189</u>	<u>169</u>

The expense is recognised in the following line items in the Income and Expenditure Account:

	2010 £000s	2009 £000s
Operating costs	32	61
Other finance costs	157	108

The total amount recognised in the Statement of total recognised gains and losses in respect of actuarial gains and losses is £1,455,000 loss (2009: £482,000 loss).

4 Employee information (continued)

The Isle of Wight Pension Scheme (continued)

Cumulative actuarial losses reported in the Statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by the prior year adjustment under paragraph 96 of FRS 17, are £875,000 (2009: £580,000 gains).

History of scheme

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

	2010 £000s	2009 £000s	2008 £000s	2007 £000s	2006 £000s
Fair value of scheme assets	3,592	2,664	3,366	3,949	3,706
Present value of scheme liabilities	(7,303)	(4,879)	(5,076)	(5,999)	(6,174)
Deficit	(3,711)	(2,215)	(1,710)	(2,050)	(2,468)

Experience adjustments

	2010 %	2009 %	2008 %	2007 %	2006 %
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	0.00%	0.00%	7.50%	0.00%	0.00%
Experience adjustments on scheme assets as a percentage of scheme assets	23.33%	(32.88%)	(23.71%)	0.99%	15.16%

The Association expects to contribute approximately £148,000 to its defined benefit scheme in the next financial year

The AEGON Scottish Equitable Pension Scheme

The Association participates in a defined contribution scheme run by AEGON Scottish Equitable based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

5 Surplus/(deficit) on sale of fixed assets

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Sale proceeds	15,597	11,011	8,323	7,608
Cost of sales	(10,945)	(4,183)	(7,431)	(2,482)
Component write off	(3,147)	(3,075)	(2,149)	(1,616)
Incidental sale expenses	(92)	(87)	(92)	(87)
	1,413	3,666	(1,349)	3,423

6 Interest receivable and other income

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Income from investments	600	164	600	640
Income from bank deposits	1,612	880	1,710	348
	2,212	1,044	2,310	988

7 Interest payable and similar charges

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
On bank loans, overdraft and other loans:				
Repayable wholly or partly in more than 5 years	29,843	28,054	23,960	21,121
Less: interest payable capitalised	(3,896)	(5,443)	(3,698)	(5,154)
Bank charges payable	11	65	–	–
	25,958	22,676	20,262	15,967
Deferred interest and indexation				
Index linked loan	(45)	153	(45)	153
Deferred income written back	(83)	(83)	(83)	(83)
	25,830	22,746	20,134	16,037

Interest is capitalised on properties under construction using the weighted average interest rate for borrowing.

8 Other finance costs

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Group Pension scheme				
Expected return on pension scheme assets	920	1,042	–	–
Interest on pension scheme liabilities	(1,265)	(1,395)	–	–
Isle of Wight Council Pension scheme				
Expected return on pension scheme assets	173	237	–	–
Interest on pension scheme liabilities	(330)	(345)	–	–
	(502)	(461)	–	–

9 Surplus on ordinary activities for the year before tax

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Surplus on ordinary activities before tax for the year is stated after charging/(crediting):				
Depreciation:				
Housing land & buildings	8,766	7,614	6,312	5,284
Other tangible fixed assets	1,815	1,824	1,193	1,247
Depreciation recovered on disposal of fixed assets	(328)	(249)	(211)	(135)
Amortisation of negative goodwill	(199)	(229)	–	–
Operating leases:				
Housing land & buildings	8	8	–	–
Other equipment	15	15	–	–
Auditors' remuneration (including VAT and expenses):				
Audit services	149	137	68	60
Tax services	23	12	23	12
Other services	10	–	10	–

10 Taxation

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
UK Corporation tax				
Current tax at 28% (2009: 28%)	–	–	–	–

The current tax charge for the year is the same as (2009: lower) the standard rate of corporation tax in the UK (28% (2009: 28%)). The differences are explained below.

Current tax reconciliation				
Surplus on ordinary activities before tax	8,246	8,791	5,909	23,452
less surplus from charitable activities	(7,653)	(4,971)	(5,909)	(23,452)
Taxable surplus on ordinary activities	593	3,820	–	–
Current tax at 28% (2009: 28%)	166	1,903	–	–
Effects of:				
Tax relief on Gift Aid paid by subsidiaries	(166)	(1,903)	–	–
Total current tax charge (see above)	–	–	–	–

11 Tangible fixed assets: housing properties

Group	Housing properties held for letting	Housing properties for letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 1 April 2009	987,633	158,530	245,544	71,597	1,463,304
Reclassification	–	2,298	–	(2,298)	–
Transfer to other fixed assets	–	–	46	–	46
Schemes completed	86,970	(86,970)	36,749	(36,749)	–
Additions: New properties	–	55,399	–	39,396	94,795
Additions: Existing properties	7,113	–	193	–	7,306
Impairment	(8)	(5,817)	–	–	(5,825)
Transfer (to)/from stock	–	–	(5,748)	896	(4,852)
Disposals	(4,373)	(4,469)	(5,386)	–	(14,228)
At 31 March 2010	1,077,335	118,971	271,398	72,842	1,540,546
Social Housing Grant					
At 1 April 2009	463,650	46,615	93,625	19,085	622,975
Schemes completed	33,243	(33,243)	10,371	(10,371)	–
Additions	2,726	38,533	808	9,370	51,437
Transfer from recycled capital grant/ disposal proceeds fund	–	–	(1,894)	–	(1,894)
Disposals	(226)	(3,005)	(1,672)	–	(4,903)
At 31 March 2010	499,393	48,900	101,238	18,084	667,615
Other Grants					
At 1 April 2009	33,934	1,741	2,006	–	37,681
Additions	–	151	–	–	151
At 31 March 2010	33,934	1,892	2,006	–	37,832
Depreciation					
At 1 April 2009	36,425	–	–	–	36,425
Charge for year	8,766	–	–	–	8,766
Eliminated in respect of disposals	(328)	–	–	–	(328)
At 31 March 2010	44,863	–	–	–	44,863
Net Book Value					
At 31 March 2010	499,145	68,179	168,154	54,758	790,236
At 31 March 2009	453,624	110,174	149,913	52,512	766,223

During the year, an impairment of £5.825m (2009: £2.978m) was recognised.

11 Tangible fixed assets: housing properties (continued)

Association	Housing properties held for letting	Housing properties for letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 1 April 2009	822,970	155,899	149,157	69,930	1,197,956
Schemes completed	84,699	(84,699)	36,749	(36,749)	–
Additions: New properties	–	52,834	–	30,602	83,436
Additions: Existing properties	4,455	–	–	–	4,455
Impairment	–	(5,817)	–	–	(5,817)
Transfer to stock	–	–	(4,162)	–	(4,162)
Disposals	(3,462)	(4,245)	(2,008)	–	(9,715)
At 31 March 2010	<u>908,662</u>	<u>113,972</u>	<u>179,736</u>	<u>63,783</u>	<u>1,266,153</u>
Social Housing Grant					
At 1 April 2009	447,566	46,435	42,383	18,335	554,719
Schemes completed	33,243	(33,243)	10,371	(10,371)	–
Additions	1,976	38,533	(33)	9,509	49,985
Disposals	(226)	(3,005)	(752)	–	(3,983)
At 31 March 2010	<u>482,559</u>	<u>48,720</u>	<u>51,969</u>	<u>17,473</u>	<u>600,721</u>
Other Grants					
At 1 April 2009	33,934	1,741	721	–	36,396
Additions	–	151	–	–	151
At 31 March 2010	<u>33,934</u>	<u>1,892</u>	<u>721</u>	<u>–</u>	<u>36,547</u>
Depreciation					
At 1 April 2009	28,840	–	–	–	28,840
Charge for year	6,312	–	–	–	6,312
Eliminated in respect of disposals	(211)	–	–	–	(211)
At 31 March 2010	<u>34,941</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>34,941</u>
Net Book Value					
At 31 March 2010	<u>357,228</u>	<u>63,360</u>	<u>127,046</u>	<u>46,310</u>	<u>593,944</u>
At 31 March 2009	<u>312,630</u>	<u>107,723</u>	<u>106,053</u>	<u>51,595</u>	<u>578,001</u>

During the year, an impairment of £5.817m (2009: £2.978m) was recognised.

11 Tangible fixed assets: housing properties (continued)

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Housing properties comprise:				
Freehold	1,483,427	1,256,361	1,241,114	1,172,917
Long leasehold	57,119	50,788	25,039	25,039
	1,540,546	1,307,149	1,266,153	1,197,956

Total Social Housing Grant received or receivable to date is as follows:

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
SHG and other capital grants deducted from:				
Housing properties at cost	705,447	660,656	637,268	591,115
Homebuy and starter home initiative	9,396	9,789	-	
Add: cumulative amount credited to Income and Expenditure Account	21,498	21,432	21,432	21,432
	736,341	691,877	658,700	612,547

Additions to housing properties during the year included net capitalised interest paid of £3,896,000 (2009: £5,443,000).

Accommodation in management comprises:

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Units owned and managed:				
General needs	17,493	17,123	12,217	11,903
Housing for older people	2,578	2,636	977	990
Staff accommodation	95	99	69	71
Supported housing	184	131	70	25
Shared ownership	3,051	3,213	1,065	1,124
Intermediate rent	582	225	559	103
Other	28	45	13	30
	24,011	23,472	14,970	14,246
Units managed on behalf of other landlords:				
General needs	-	1	631	631
Housing for older people	-	-	301	301
Staff accommodation	-	-	6	6
Supported housing	59	59	-	-
Shared ownership	-	-	1,675	1,753
Intermediate rent	163	-	107	37
	222	60	2,270	2,728
Managed freeholds:				
RTB leasehold	829	829	687	701
100% staircased	581	728	557	705
	1,410	1,557	1,244	1,406
Total units managed (including freeholds)	25,643	25,089	18,934	18,380
Total units owned	24,287	23,654	16,012	15,276

12 Other tangible fixed assets

Group	Freehold & leasehold properties £000s	Estate equipment £000s	Plant, machinery, fixtures & vehicles £000s	Computer, hardware & software £000s	Total £000s
Cost					
At 1 April 2009	34,334	8,889	2,173	2,330	47,726
Transfer to housing fixed assets	(46)	–	–	–	(46)
Additions	–	2,739	152	408	3,299
Disposals	–	–	(2)	–	(2)
At 31 March 2010	34,288	11,628	2,323	2,738	50,977

Depreciation					
At 1 April 2009	3,120	3,600	637	2,019	9,376
Charge for year	607	762	331	115	1,815
At 31 March 2010	3,727	4,362	968	2,134	11,191

Net Book Value					
At 31 March 2010	30,561	7,266	1,355	604	39,786
At 31 March 2010	31,214	5,289	1,536	311	38,350

Association	Freehold & leasehold properties £000s	Estate equipment £000s	Plant, machinery, fixtures & vehicles £000s	Computer, hardware & software £000s	Total £000s
Cost					
At 1 April 2009	30,381	3,566	1,624	2,326	37,897
Additions	–	1,505	16	408	1,929
At 31 March 2010	30,381	5,071	1,640	2,734	39,826

Depreciation					
At 1 April 2009	2,880	1,066	1,098	2,019	7,063
Charge for year	520	378	180	115	1,193
At 31 March 2010	3,400	1,444	1,278	2,134	8,256

Net Book Value					
At 31 March 2010	26,981	3,627	362	600	31,570
At 31 March 2009	27,501	2,500	526	307	30,834

Freehold and leasehold properties comprise:

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Freehold	34,239	34,285	30,332	30,332
Long leasehold	49	49	49	49
	34,288	34,334	30,381	30,381

13 Investments

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Cost				
Unlisted investments	102,840	1,964	102,865	1,989
Investment loan to wholly-owned subsidiary	–	–	11,826	12,609
Investment in joint venture	483	–	–	–
Total investments at cost	103,323	1,964	114,691	14,598
Market Value				
Unlisted investments	104,472	2,706	104,497	2,731
Investment loan to wholly-owned subsidiary	–	–	11,826	12,609
Investment in joint venture	483	–	–	–
Total investments at market value	104,995	2,706	116,323	15,340
Homebuy and starter home initiatives				
Homebuy and starter home initiatives	9,946	10,402	–	–
Less: Social Housing Grant	(9,396)	(9,789)	–	–
	550	613	–	–

Southern Housing Group Limited holds shares in the following joint venture:

Affinity (Reading) Holdings Limited

Country of registration: England

Equity Holding: Ordinary

Proportion held: 16.67%

Principal Activity: Holds 100% of the share capital of Affinity (Reading) Limited, which is the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing stock.

Unlisted investments represent holdings in managed funds which invest in listed investments and charged funds.

Southern Housing Group Limited holds 100% of the ordinary share capital of Southern Space Limited, registered in England.

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 joint venture will take ownership of the affordable homes at the Athletes Village following the Olympic Games.

13 Investments (continued)

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

	Triathlon LLP 2010 £000s
Share of turnover of joint venture	—
Share of assets	
Share of fixed assets	45,116
Share of current assets	1,118
	<u>46,234</u>
Share of liabilities	
Due within one year	(296)
Due after one year	(45,455)
	<u>(45,751)</u>
Share of net assets	<u>483</u>
Investment summary	
Investment at cost	500
Share of deficit	(17)
	<u>483</u>

Included above are the following individually significant joint ventures.

	Triathlon LLP 2010 £000s
Turnover	—
Loss before taxation	(51)
Taxation	—
Loss after taxation	<u>(51)</u>
Fixed assets	135,350
Current assets	3,354
Liabilities due within one year	(889)
Liabilities due after one year	(136,366)

14 Properties for sale

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Properties under construction	11,641	13,691	—	—
Completed properties	2,353	2,905	2,146	2,296
	<u>13,994</u>	<u>16,596</u>	<u>2,146</u>	<u>2,296</u>

15 Debtors

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Due within one year:				
Arrears of rent and service charges	6,569	6,645	4,927	4,924
Less: provision for bad and doubtful debts	(4,465)	(4,504)	(3,490)	(3,451)
	2,104	2,141	1,437	1,473
Social Housing Grant receivable	734	12,416	734	12,416
Amounts due from connected entities	–	–	10,153	20,001
Other debtors	6,830	5,286	1,539	239
Prepayments and accrued income	1,161	3,055	750	2,373
	10,829	22,898	14,613	36,502

16 Cash at bank and in hand

Cash balances held by Southern Housing Group Limited include amounts totalling £1.5m (2009: £1.5m) which must be used for specific purposes.

17 Creditors: amounts falling due within one year

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Social Housing Grant received in advance	247	247	–	–
Recycled capital grant fund	3,665	422	119	117
Disposal proceeds fund	1,608	1,496	1,608	1,496
Amounts due to connected entities	–	–	–	7,810
Accruals and deferred income	26,384	25,116	19,724	19,647
Other taxation and social security	–	50	–	–
Other creditors	13,519	10,834	7,943	5,171
Bank overdraft	–	987	–	987
Housing loans	2,398	2,400	698	641
	47,821	41,552	30,092	35,869

18 Housing loans

	2010 £000s	2009 £000s	2010 £000s	2009 £000s
Housing loans falling due after one year	689,180	582,521	540,060	440,844
Loan set up cost	(2,797)	(1,737)	(2,797)	(1,737)
	686,383	580,784	537,263	439,107

Housing loans are secured by specific charges on certain of the Group's housing properties and are repayable in instalments due as follows:

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
In one year or less	2,398	2,400	698	641
Between one and two years	3,237	2,440	1,310	708
Between two and five years	12,742	10,641	5,581	4,499
In five years or more	673,201	569,440	533,169	435,637
	691,578	584,921	540,758	441,485

Housing loans bear hedged 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 2010:

	Market Value (£million)	
	2010	2009
£20m 3 yearly cancellable swap at a fixed rate of 4.77%, first option date July 2010	(3.73)	(4.52)
£25m 30 year cancellable swap at a fixed rate of 4.57%, option date November 2023	(3.26)	(3.91)
£30m 27 year swap at a fixed rate of 4.9875% discounted by compound RPI above 3.20% (commences July 2010)	(4.54)	(4.89)
£75m 3 year fixed (6.35%) to floating (3.125% + 6-month LIBOR [in arrears]) swap	2.15	–

19 Recycled capital grant fund

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Balance at 1 April	9,353	8,828	1,246	300
Grant released on sales	3,082	1,636	960	996
Interest added to fund	47	226	8	15
Inter-group transfer	–	–	2,471	611
Grant recycled into new schemes	(3,274)	(1,337)	(2,587)	(676)
Balance as at 31 March	9,208	9,353	2,098	1,246
Due within one year	(3,665)	(422)	(119)	(117)
Due in more than one year	5,543	8,931	1,979	1,129

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.

20 Disposal proceeds fund

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Balance at 1 April	4,463	3,219	4,374	3,104
Released on sales	76	1,216	76	1,128
Interest added to fund	21	147	21	142
Intergroup transfer	–	–	–	119
Recycled into new schemes	(1,496)	(119)	(1,496)	(119)
Balance as at 31 March	3,064	4,463	2,975	4,374
Due within one year	(1,608)	(1,496)	(1,608)	(1,496)
Due in more than one year	1,456	2,967	1,367	2,878

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.

21 Deferred income

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Balance at 1 April	2,178	2,492	1,517	1,688
Deferred income arising in the year	–	(54)	–	–
Transferred to Income and Expenditure Account	(240)	(260)	(178)	(171)
Balance as at 31 March	1,938	2,178	1,339	1,517
Deferred income comprises:				
Premium on debentures	1,341	1,478	922	1,005
Retention on property disposal	180	180	–	–
Property leasing income	417	520	417	512
	1,938	2,178	1,339	1,517

22 Provisions for liabilities and charges

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Balance at 1 April	368	438	287	338
Transferred to Income and Expenditure Account	(308)	(70)	(287)	(51)
Balance as at 31 March	60	368	–	287

The provision for housing property repairs relates to a contractual requirement on SWHA to undertake repairs to short leasehold properties upon lease termination. The housing property repairs provisions are released when the required repairs are made.

23 Called-up share capital

	Association 2010 £	Association 2009 £
Shares of £1 each issued and fully paid:		
Balance at 1 April	11	11
Shares issued during year	–	1
Shares surrendered during year	(2)	(1)
As at 31 March	9	11

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.

24 Revenue reserve

	Group 2010 £000s	Association 2010 £000s
Balance at 1 April 2009	212,395	194,140
Surplus for year	8,246	5,909
Actuarial loss relating to pension scheme	<u>(2,104)</u>	–
As at 31 March 2010	<u>218,537</u>	<u>200,049</u>
	Group 2010 £000s	Association 2010 £000s
Revenue reserve excluding pension liability	229,830	200,049
Pension liability	<u>(11,293)</u>	–
Revenue reserve including pension liability	<u>218,537</u>	<u>200,049</u>

25 Revaluation reserve

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Balance at 1 April	765	1,840	765	1,840
Surplus/(deficit) on revaluation of investments	<u>891</u>	<u>(1,075)</u>	<u>891</u>	<u>(1,075)</u>
As at 31 March	<u>1,656</u>	<u>765</u>	<u>1,656</u>	<u>765</u>

The reserve relates to the SHGL investment portfolio shown at market value. The difference between cost and market value has been credited to the reserve.

26 Designated and restricted reserves

	Designated reserves	Restricted reserves	Total 2010 £000s	Total 2009 £000s
	£000s	£000s		
Balance at 1 April	430	1	431	1,048
Transfer to revenue reserves from Southern Housing Foundation	–	–	–	(600)
Transfers from Income & Expenditure Account	–	–	–	(20)
Expenditure in year	–	–	–	3
As at 31 March 2010	<u>430</u>	<u>1</u>	<u>431</u>	<u>431</u>

Restricted reserves are all held in SHGL. They represent unspent funds received for specific purposes from external organisations. Restricted reserves are only expendable in respect of the projects for which they are received.

Association	Designated reserves	Restricted reserves	Total 2010 £000s	Total 2009 £000s
	£000s	£000s		
Balance at 1 April 2010	183	1	184	180
Transfer from Southern Housing Foundation	–	–	–	21
Transfers to Income and Expenditure Account	–	–	–	(20)
Additions in year	–	–	–	3
As at 31 March 2010	<u>183</u>	<u>1</u>	<u>184</u>	<u>184</u>

Designated reserves comprise:

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Legacy grants	133	133	133	133
Tenant amenities	50	50	50	50
IOW health authority housing improvements	38	38	–	–
Sheltered housing improvements	209	209	–	–
	<u>430</u>	<u>430</u>	<u>183</u>	<u>183</u>

27 Negative goodwill

The Group acquired SWHA Limited on 1 July 2002 and JBHA Limited on 1 April 2006. SWHA accepted a transfer of engagements from Isle of Wight Housing Association Ltd (IoWHA) on 3 October 2005. The details of the negative goodwill arising and the amount to be amortised are set out below. For Registered Providers, the negative goodwill arising is amortised over the remaining useful life of the underlying housing properties.

	Amortisation period years	Book value £000s	Fair value adjustment £000s	Fair values £000s
South Wight Housing Association Ltd 1 July 2002	60	7,241	(4,490)	2,751
Isle of Wight Housing Association Ltd 3 October 2005	90	2,073	9,345	11,418
James Butcher Housing Association Ltd 1 April 2006	100	10,203	(7,606)	2,597
	Group 2010 £000s	Group 2009 £000s		
Negative Goodwill before amortisation	16,766	16,766		
Amortisation as at 1 April 2010	(853)	(624)		
Amortisation in year	(199)	(229)		
Amortisation as at 31 March 2010	(1,052)	(853)		
Net Negative Goodwill as at 31 March 2010	15,714	15,913		

28 Capital commitments

	Group 2010 £000s	Group 2009 £000s	Association 2010 £000s	Association 2009 £000s
Capital expenditure contracted but not provided for in the financial statements	125,436	74,599	10,610	69,045
Capital expenditure authorised but not contracted	25,220	73,538	25,220	73,538

29 Legislative organisations

Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 27412R) and registered by the Housing Corporation (Registered Number LH3947).

30 Group organisations

The Southern Housing Group organisations included in these financial statements are:

Southern Housing Group Limited	Parent body
Southern Home Ownership Limited	
South Wight Housing Association Limited	
James Butcher Housing Association Limited	
Southern Space Limited	
Affinity Housing Services (Reading)	Joint venture partnership with Windsor & District HA
Triathlon Homes LLP	Joint venture partnership with First Base 4 Stratford LLP and East Place Limited

31 Related parties

Two Board members appointed in 2008/09 on completion of their probationary periods, who are also residents, are classified as a related party. Such tenancies/leases are granted on normal commercial terms and the members cannot use their position on the Board to their personal advantage.

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 results include funds transferred from The Women's Housing Trust.

	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		2010 £000s	2009 £000s
Tangible fixed assets at cost		6,056	6,085
Less Social Housing and other grants		(5,497)	(5,497)
		559	588
Investments at valuation		647	493
		1,206	1,081
Net income from permanent endowed assets		2010 £000s	2009 £000s
Income from lettings		1,821	1,846
Less expenditure on letting activities		(1,373)	(980)
Surplus on letting activities		498	866
Income from investments		9	8
		507	874

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

Head Office

Southern Housing Group
Fleet House
59-61 Clerkenwell Road
London EC1M 5LA
Telephone **08456 120 021**
Fax **020 7553 6400**

London Region

Southern Housing Group
Fleet House
59-61 Clerkenwell Road
London EC1M 5LA
Telephone **08456 120 021**
Fax **020 7324 1230**

Thames Gateway Region

Southern Housing Group
Fifth Floor, Maritime House
1 Linton Road
Barking
Essex IG11 8HG
Telephone **08456 120 021**
Fax **020 8709 1184**

South Region

Southern Housing Group
Spire Court
Albion Way
Horsham
West Sussex RH12 1JW
Telephone **08456 120 021**
Fax **01403 224 800**

South Wight Housing Association

The Courtyard
St Cross Business Park
Newport
Isle of Wight PO30 5BF
Telephone **08456 120 021**
Fax **01983 539 040**

James Butcher Housing Association

James Butcher House
39 High Street
Theale
Reading
Berkshire RG7 5AH
Telephone **08456 120 021**
Fax **01189 317 297**

Contact us

Southern Housing Group, Fleet House,
59 - 61 Clerkenwell Road, London EC1M 5LA
Telephone **08456 120 021** Fax **020 7553 6400**
email info@shgroup.org.uk web www.shgroup.org.uk

