

SOUTHERN HOME OWNERSHIP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

**Industrial and Provident Societies Act 1965 - Registered number: 185211R
Housing Corporation - Registered Number LH1662**

SOUTHERN HOME OWNERSHIP LIMITED

CONTENTS

	Pages
The Board, Senior Executives and Advisers	1
Report of the Board	2 - 6
Independent auditor's report to the members of Southern Home Ownership Limited	7
Income and expenditure account	8
Balance sheet	9
Notes to the financial statements	10 - 24

**SOUTHERN HOME OWNERSHIP LIMITED
THE BOARD, SENIOR EXECUTIVES AND ADVISERS**

The Board

Members of the Board of Southern Home Ownership Limited at 4 July 2011:

Jim Hitch
John Castelberg
Dale Meredith
Jane Hives
Katherine Lyons
Hugh Stebbing

Chairman
Resigned 12 July 2010

Senior Executives

The senior management team of the Group at 4 July 2011:

Tom Dacey
Rosemary Farrar
Barry Nethercott
Dale Meredith
Paul Smith
Alene Wilton

Group Chief Executive
Finance Director, Southern Housing Group
(Appointed 4 April 2011)
Finance Director, Southern Housing Group
(Resigned 17 September 2010)
Development Director
Operations Director
Corporate Services Director

Secretary and Registered Office

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

Principal Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

Auditor

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

Principal Bankers

National Westminster Bank Plc
Corporate Banking
Second Floor, County Gate 2
Staceys Street
Maidstone
Kent ME14 1ST

SOUTHERN HOME OWNERSHIP LIMITED
REPORT OF THE BOARD
For the year ended 31 March 2011

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2011.

Principal activities

Southern Home Ownership Limited was incorporated as an Industrial and Provident Society in 1966 to provide accommodation for people on low incomes. It operates in London and throughout South East England, providing a range of housing services, primarily in the area of low cost home ownership.

Southern Housing Group Limited has the power to appoint the Board of Southern Home Ownership Limited. Accordingly, the financial statements of Southern Home Ownership Limited are consolidated with those of Southern Housing Group Limited.

Southern Home Ownership Limited, together with Southern Housing Group Limited, Southern Space Limited and Southern Development Services Limited comprise the Southern Housing Group (the Group). On 1st October 2010 Southern Housing Group Limited, South Wight Housing Association Limited and James Butcher Housing Association Limited amalgamated to form Southern Housing Group Limited. The Group accounts are published on the Association's website, www.shgroup.org.uk.

Review of results

The Association made a surplus before gift aid of £5.59m during the year, compared with a surplus of £8.44m in the previous year. A gift aid payment of £4.24m (2010: £8.44m) was made to Southern Housing Group Limited. At 31 March 2011, general reserves carried forward amounted to £18.35m (2010: £17.01m).

The Association incurred capital expenditure of £1.19m (2010: £9.82m) during the year on the acquisition and development of properties. First tranche sales on 5 new properties were £0.38m and staircasings on 51 properties were £4.45m. Details of changes to the Association's fixed assets are shown in notes 10 and 11 of the financial statements.

Going Concern

After reviewing the company's budget for 2011/2012, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Future plans

The Association's housing portfolio is now managed by other Group companies. The Company has scaled back its development of shared ownership properties to reflect expected economic climate and changes in government regulations. Management continue to review their investment plans in light of these factors.

The Board & Senior Executives

The Board members and senior executives are listed on page 1. Southern Housing Group Limited holds one fully paid share of £1 in Southern Home Ownership Limited, the remainder are held by members of the Southern Housing Group Limited Board.

SOUTHERN HOME OWNERSHIP LIMITED
REPORT OF THE BOARD (continued)
For the year ended 31 March 2011

Employment practices

The Association is committed to the fair and equitable treatment of all staff through proactive, well developed policies and procedures and competent management. Staff consultation frameworks are in place which ensure staff are involved and their views heard.

The Equality and Diversity Strategy Board of southern Housing Group Limited oversees the implementation of and compliance to the employment and wider requirements of the Equality Act (2010).

Health and Safety of employees is an employment priority with clear guidelines, responsibilities and training and advice provided by a qualified professional.

SOUTHERN HOME OWNERSHIP LIMITED
REPORT OF THE BOARD (continued)
For the year ended 31 March 2011

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

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

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

In preparing 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 Association 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 Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board 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 the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

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

Internal Controls

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

The Group operates ongoing processes for identifying, evaluating and managing the significant risks that it faces. They have been in place for the year to 31 March 2011 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.

SOUTHERN HOME OWNERSHIP LIMITED
REPORT OF THE BOARD (continued)
For the year ended 31 March 2011

Main policies established to provide effective internal control

Risk assessment

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

Control environment

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

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

Information

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

Monitoring

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

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

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

Review of effectiveness

The Board has reviewed the effectiveness of the Group's internal controls through the work of the Audit Committee, which regularly reports to the Board. In addition the Group Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the period under review and up to the date of approval of this report.

**SOUTHERN HOME OWNERSHIP LIMITED
REPORT OF THE BOARD (continued)**

For the year ended 31 March 2011

Disclosure of information to auditors

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

Auditors

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

Jim Hitch
Chairman
On behalf of the Board
4 July 2011

A handwritten signature in black ink, appearing to read 'J. Hitch', is written over the printed name and title of the Chairman.

REPORT OF THE INDEPENDENT AUDITOR, KPMG LLP, TO THE MEMBERS OF SOUTHERN HOME OWNERSHIP LIMITED

We have audited the financial statements of Southern Home Ownership Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 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 auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 4, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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



**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

19th July 2011

SOUTHERN HOME OWNERSHIP LIMITED
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2011

	Note	2011 £000s	2010 £000s
TURNOVER			
Operating costs	2	7,303	9,955
	2	<u>(3,379)</u>	<u>(4,481)</u>
OPERATING SURPLUS		3,924	5,474
Surplus on sale of fixed assets	5	1,886	3,646
Interest receivable and other income	6	135	96
Interest payable and similar charges	7	<u>(360)</u>	<u>(779)</u>
SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR	8	5,585	8,437
Payment under Gift Aid to Southern Housing Group Limited		<u>(4,239)</u>	<u>(8,437)</u>
Surplus before taxation		1,346	-
Tax on surplus from ordinary activities	9	<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR		<u>1,346</u>	<u>-</u>

The notes on pages 10 to 24 form part of these financial statements.

There were no other surpluses or deficits in the current or prior years other than as disclosed in the above Income and Expenditure Account.

The turnover and operating surplus for the current and prior years relate to continuing activities.

SOUTHERN HOME OWNERSHIP LIMITED
BALANCE SHEET
As at 31 March 2011

	Note	2011 £000s	2010 £000s
TANGIBLE FIXED ASSETS			
Housing properties at cost less depreciation	10	98,412	113,159
Less: Social Housing Grant and other grants	10	(52,816)	(54,625)
Net housing properties		45,596	58,534
Other tangible fixed assets	11	388	393
Total tangible fixed assets		45,984	58,927
INVESTMENTS			
Investment in Subsidiary	12	-	-
Homebuy and starter home initiatives		9,406	9,595
Less: Social Housing Grant		(8,884)	(9,045)
		46,506	59,477
CURRENT ASSETS			
Stock of Homes for resale	13	4,258	1,384
Debtors	14	4,143	4,180
Cash at bank and in hand		16,150	10,260
		24,551	15,824
CREDITORS: Amounts falling due within one year	15	(14,533)	(17,056)
NET CURRENT LIABILITIES		10,018	(1,232)
TOTAL ASSETS LESS CURRENT LIABILITIES		56,524	58,245
CREDITORS: Amounts falling due after more than one year			
Housing loans	16	37,825	37,825
Recycled capital grant fund	17	347	3,414
CAPITAL AND RESERVES			
Share capital	18	-	-
Revenue reserves	19	18,352	17,006
		56,524	58,245

The notes on pages 10 to 24 form part of these financial statements. The financial statements were approved at a meeting of the Board on 4 July 2011.

Jim Hitch
Chairman

Board Member

P Caine
Secretary




SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

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" update as issued in 2010, the Accounting Requirements for Registered Social Landlords General Determination 2006, and on the historical cost basis (as modified by the revaluation of certain fixed asset investments). The accounting policies have been consistently applied. A summary of the more important accounting policies is set out below.

SORP 2010 is applied for the first time in these financial statements. However, there are no material changes as a result.

Turnover

Turnover represents rental and service charge income receivable from properties owned by the Association and those managed for third parties, fees receivable when they fall due; and revenue grants from the Housing Corporation and other public authorities are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate. It includes the receipts from the sale of properties developed for the open market. Turnover also includes receipts from the sale of the 1st tranche of shared ownership properties.

Housing Properties

Housing properties are those available for rent or shared ownership and 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.

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 properties current value would be insignificant, due to the large residual values and long economic lives.

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

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 estimated residual values at the following annual rates:

Housing properties held for letting	100 years
Major components	between 15 and 60 years
Freehold offices	between 30 and 60 years

For all properties annual impairment reviews are carried out 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 a sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Grant Fund or Disposal Proceeds Fund and included in the balance sheet as 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.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises acquisition and development costs appropriate to the relevant stage of development including attributable overheads and interest. Net realisable value is based on estimated selling price less all further costs to completion and relevant marketing and selling costs.

Cashflow Statement

Under FRS 1 (revised 1996) the Association is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Association in its own published consolidated statement.

Investments

Southern Home Ownership Limited retains a stake in homes purchased through the Homebuy and Starter Home Initiative schemes. Investment in Homebuy is fully funded through Social Housing Grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through Social Housing Grant. Investments are held in the balance sheet at historic cost.

Listed and unlisted investments are stated at market value.

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

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

Corporation tax is chargeable on the surpluses of Southern Home Ownership Limited.

The Association forms part of the Group's registration for Value Added Tax. A proportion of the VAT incurred by the Association cannot be recovered as 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

The Association participates in a group wide 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 and liabilities 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 profit and loss, for the Association and stakeholder schemes, represents the contributions payable to the scheme in respect of the accounting period.

Money Purchase Scheme

The Association 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 first tranche sales

Shared ownership 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.

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

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

	2011				2010	
	Turnover £000s	Operating Costs £000s	Operating surplus £000s	Turnover £000s	Operating Costs £000s	Operating surplus £000s
Social housing lettings	6,804	(3,118)	3,686	6,488	(2,032)	4,456
Other social housing activities	48	(3)	45	23	7	30
Shared Ownership 1st Tranche Sale Proceeds	380	(262)	118	3,375	(2,453)	922
Non-social housing activities	17	(1)	16	-	-	-
Commercial income	54	5	59	69	(3)	66
Total	7,303	(3,379)	3,924	9,955	(4,481)	5,474

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2011		2010	
	Intermediate Rent £000s	Shared ownership £000s	Total £000s	Total £000s
Rent receivable net of identifiable service charges	359	5,383	5,742	5,795
Service charges receivable	28	1,034	1,062	693
Turnover from social housing lettings	387	6,417	6,804	6,488
Management Services	(61)	(1,321)	(1,382)	(1,249)
Routine maintenance	(122)	(1,555)	(1,677)	(680)
Planned maintenance	(56)	-	(56)	(40)
Rent losses from bad debts	(1)	(4)	(5)	(8)
Depreciation of housing properties	-	106	106	30
Other costs	(79)	-	(79)	(79)
Operating costs on social housing lettings	(319)	(2,799)	(3,118)	(2,032)
Operating surplus on social housing lettings	68	3,618	3,686	4,456
Void losses	5	-	5	5

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the year ended 31 March 2011

3. Directors' emoluments

No member of the Board received any remuneration for their role as member of the Board of Southern Home Ownership Limited during the year (2010: £nil). No expenses were reimbursed to members of the Board during the year (2010: £nil).

The Group Chief Executive and the senior management team are employed by Southern Housing Group Limited, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

4. Employee information

	2011 No.	2010 No.
Average number of full-time equivalent employees	1	1

Staff costs (for the above employees)

	2011 £000s	2010 £000s
Wages and salaries	39	56
Social security costs	3	5
Other pension costs	13	10
	55	71

PENSION SCHEMES

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 2010 and was updated for FRS 17 purposes to 31 March 2011 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 2011 is:

Pre July 1992 members	23.6%	(2010/11: 26.7%)
Post July 1992 members	23.6%	(2010/11: 20.7%)

plus an additional annual payment of £564,840 (2010/11: £644,400).

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

4. Employee information (continued)

The major assumptions used in this valuation were:

Actuarial assumptions	2011	2010	2009
Rate of increase in salaries	% pa 4.50	% pa 4.70	% pa 3.80
Rate of increase in pensions in payments and deferred pensions	3.25	3.30	2.80
Discount Rate	5.40	5.50	6.00
Inflation assumption - RPI	3.50	3.70	2.80
Inflation assumption - CPI	3.00	N/A	N/A

Mortality assumption

	Male	Female
Current pensioner aged 65	21.58 yrs	24.03 yrs
Future retiree upon reaching 65	24.54 yrs	26.94 yrs

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

Scheme assets

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

	2011	2010	2009
	£000s	£000s	£000s
Equities	10,896	10,650	6,808
Bonds	5,221	7,414	6,422
Property	949	690	628
Absolute return fund	4,121	-	-
Cash	388	506	414
Total market value of assets	21,575	19,260	14,272
Present value of scheme liabilities	(26,407)	(26,842)	(21,113)
Net pension liability	(4,832)	(7,582)	(6,841)

Long term rate of return

	2011	2010	2009
	%	%	%
Equities	7.30	6.50	6.50
Bonds	5.30	6.50	6.50
Absolute return fund	6.80	N/A	N/A
Property	6.80	6.00	6.00
Cash	3.50	4.00	4.00

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

4. Employee information (continued)

Movements in present value of defined benefit obligation	2011 £000s	2010 £000s
At 1 April 2010	26,842	21,113
Current service cost	742	535
Interest on obligation	1,509	1,265
Contribution by members	129	139
Actuarial (gains)/losses	(2,348)	4,536
Administration expenses	(97)	-
Benefits paid	(370)	(746)
At 31 March 2011	<u>26,407</u>	<u>26,842</u>

Movement in fair value of fund assets

	2011 £000s	2010 £000s
At 1 April 2010	19,260	14,272
Expected returns on fund assets	1,155	920
Contribution by members	129	139
Actuarial gains	498	3,887
Contributions by employer	1,000	788
Administration expenses	(97)	-
Benefits paid	(370)	(746)
At 31 March 2011	<u>21,575</u>	<u>19,260</u>

Movement in deficit during year

	2011 £000s	2010 £000s	2009 £000s
Deficit in scheme at beginning of year	(7,582)	(6,841)	(6,055)
Current service cost	(742)	(535)	(623)
Contributions paid	1,000	788	895
Other finance expense	(354)	(345)	(353)
Actuarial gain/(loss)	2,846	(649)	(705)
Deficit in scheme at end of year	<u>(4,832)</u>	<u>(7,582)</u>	<u>(6,841)</u>

Analysis of other pension costs charged in arriving at operating surplus

	2011 £000s	2010 £000s	2009 £000s
Current service cost	(742)	(535)	(623)

Analysis of amounts included in other finance income/expense

	2011 £000s	2010 £000s	2009 £000s
Expected return on pension scheme assets	1,155	920	1,042
Interest on plan liabilities	(1,509)	(1,265)	(1,395)
	<u>(354)</u>	<u>(345)</u>	<u>(353)</u>

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

4. Employee information (continued)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2011	2010	2009
	£000s	£000s	£000s
Actual return less expected return on assets	498	3,887	(4,483)
Experience gains arising on scheme liabilities	1,628	1,025	6
Changes in assumptions underlying the present value of scheme liabilities	720	(5,561)	3,772
Actuarial gain/(loss) recognised in statement of total recognised surpluses and deficits	<u>2,846</u>	<u>(649)</u>	<u>(705)</u>

History of scheme

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

	2011	2010	2009	2008	2007
	£000s	£000s	£000s	£000s	£000s
Present value of scheme liabilities	26,407	26,842	21,113	23,014	23,029
Fair value of scheme assets	(21,575)	(19,260)	(14,272)	(16,595)	(17,717)
Deficit	<u>4,832</u>	<u>7,582</u>	<u>6,841</u>	<u>6,419</u>	<u>5,312</u>

History of experience gains and losses

Experience adjustments on scheme liabilities as a percentage of scheme liabilities

	2011	2010	2009	2008	2007
	6.17%	3.82%	0.03%	0.37%	3.49%

Experience adjustments on scheme assets as a percentage of scheme assets

	2011	2010	2009	2008	2007
	2.31%	20.18%	(31.41%)	(13.59%)	(0.94%)

5. Surplus on sale of assets

	Staircasing	Inter-group	Homebuy & SHI	2011	2010
	£000s	£000s	£000s	£000s	£000s
Sale proceeds	4,445	7,642	316	12,403	7,110
Cost of sales	(2,606)	(7,642)	(223)	(10,471)	(3,351)
Incidental sale expenses	(46)	-	-	(46)	(113)
	<u>1,793</u>	<u>-</u>	<u>93</u>	<u>1,886</u>	<u>3,646</u>

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

6. Interest receivable and other income

	2011 £000s	2010 £000s
Interest and dividend income receivable from unlisted investments and bank deposits	135	96

7. Interest payable and similar charges

	2011 £000s	2010 £000s
On bank loans, overdraft and other loans:		
Repayable wholly or partly in more than 5 years	403	942
Less: interest payable capitalised	(43)	(163)
	<u>360</u>	<u>779</u>

8. Surplus on ordinary activities for the year before tax

	2011 £000s	2010 £000s
Surplus on ordinary activities before tax for the year is stated after charging:		
Depreciation:		
Housing land & buildings	79	79
Other tangible fixed assets	5	7
Auditors' remuneration (including VAT and expenses):		
Audit of these financial statements	17	17

9. Taxation

UK Corporation tax	2011 £000s	2010 £000s
Current tax at 28% (2010 : 28%)	-	-

The current tax charge for the year is the same (2010: the same) as the standard rate of corporation tax in the UK (28% (2010 : 28%). The differences are explained below.

Current tax reconciliation
Surplus/(deficit) on ordinary activities

1,346

Current tax at 28%

377

Effects of:

Expenses deductible for tax purposes

(377)

Total current tax charge (see above)

-

Factors that may affect future tax charges

From 1 April 2011 the rate of UK corporation tax that was enacted at the balance sheet date was 27%. Subsequently, the UK government has announced that the UK corporation tax rate will reduce from 28% to 26% on 1 April 2011. It is expected that the corporation tax rate will change to 23% over the following three years. There are no other factors that may significantly affect future tax charges

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

10. Tangible fixed assets: housing properties

	General Needs housing properties under construction	Market Rent housing properties	Intermediate Rent housing properties	Intermediate Rent housing properties under construction	Rent housing properties under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost								
At 1 April 2010	1,297	372	8,700	11,368	91,379	337	113,453	
Additions: new properties	43	-	-	364	33	754	1,194	
Transfer (to)/ from Stock	-	-	-	-	114	(188)	(74)	
Reclassification	-	(364)	(3,678)	171	3,876	(5)	-	
Disposals	(1,340)	-	-	(11,903)	(2,545)	-	(15,788)	
At 31 March 2011	-	8	5,022	-	92,857	898	98,785	
Social Housing Grant								
At 1 April 2010	315	-	3,249	180	48,985	611	53,340	
Additions	315	-	-	4,041	-	565	4,921	
Reclassification	-	-	(1,818)	750	1,068	-	-	
Disposals	(630)	-	-	(4,971)	(1,129)	-	(6,730)	
At 31 March 2011	-	-	1,431	-	48,924	1,176	51,531	
Other Grants								
At 1 April 2010	-	-	-	-	1,285	-	1,285	
At 31 March 2011	-	-	-	-	1,285	-	1,285	
Depreciation								
At 1 April 2010	-	-	294	-	-	-	294	
Charge for year	-	-	79	-	-	-	79	
At 31 March 2011	-	-	373	-	-	-	373	
Net Book Value								
At 31 March 2011	-	8	3,218	-	42,648	(278)	45,596	
At 31 March 2010	982	372	5,157	11,188	41,109	(274)	58,534	

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

10. Tangible fixed assets: housing properties (continued)

Housing properties comprise:

	2011 £000s	2010 £000s
Freehold	67,333	82,001
Long leasehold	31,452	31,452
	<u>98,785</u>	<u>113,453</u>

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

	2011 £000s	2010 £000s
SHG and other capital grants deducted from:		
Housing properties at cost	52,816	54,625
Homebuy and starter home initiative	8,884	9,045
	<u>61,700</u>	<u>63,670</u>

Additions to housing properties during the year included capitalised interest payable of £43,000 (2010: £163,000).

All owned stock is now managed by others as follows:

	2011 Units	2010 Units
By other group members:		
Shared ownership	1,708	1,779
Intermediate rent	53	53
Housing managed by Others (ARHAG HA)	15	15
Total social housing	<u>1,776</u>	<u>1,847</u>
Market rent	-	3
	<u>1,776</u>	<u>1,850</u>

Total units owned

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

11. Other tangible fixed assets

	Freehold properties
	£000s
Cost	
At 1 April 2010	406
Transfer to Housing Land & Building	-
At 31 March 2011	<u>406</u>
Depreciation	
At 1 April 2010	13
Charge for year	5
At 31 March 2011	<u>18</u>
Net Book Value	
At 31 March 2011	<u>388</u>
At 31 March 2010	<u>393</u>

12. Investment in subsidiary

Southern Housing Home Ownership Limited has a majority shareholding in the following companies incorporated in England, all of which were dormant during the year:

Company	% OF ORDINARY SHARES HELD	
	2011	2010
Riverside Close Management Ltd	67	67
Rolvenden Amenity Ltd	76	76
Cheriton Road Management Company Ltd	75	75
Cost		
	2011	2010
	£	£
	<u>218</u>	<u>218</u>

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

13. Stock of Homes for resale

	2011 £000s	2010 £000s
Properties under construction	4,258	1,177
Completed properties	-	207
	<u>4,258</u>	<u>1,384</u>

14. Debtors

	2011 £000s	2010 £000s
Due within one year:		
Arrears of rent and service charges	308	454
Less: provision for bad and doubtful debts	(71)	(163)
	<u>237</u>	<u>291</u>
Amounts due from connected entities	22	23
Other debtors	3,650	3,625
Prepayments and accrued income	234	241
	<u>4,143</u>	<u>4,180</u>

At 31 March 2011, balances on bank accounts held on trust for shared owners totalled £3,055,800 (2010: £2,765,516) and are included in other debtors.

15. Creditors: amounts falling due within one year

	2011 £000s	2010 £000s
Social Housing Grant received in advance	139	247
Recycled capital grant fund	-	3,221
Amounts due to connected entities	9,488	8,674
Accruals and deferred income	1,159	1,439
Rent and service charges received in advance	-	116
Other creditors	3,747	3,359
	<u>14,533</u>	<u>17,056</u>

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £3,098,000 (2010: £2,812,000) are reflected above in other creditors.

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

16. Housing loans

Housing loans are secured by specific charges on certain housing properties and are repayable in instalments due as follows:

	2011 £000s	2010 £000s
Between two and five years	350	75
In five years or more	<u>37,475</u>	<u>37,750</u>
	<u>37,825</u>	<u>37,825</u>

Housing loans bear variable rates on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2026 to 2032.

17. Recycled Capital Grant Fund

	2011 £000s	2010 £000s
Balance at 1 April	6,635	7,515
Grant released on sales	1,259	2,122
Interest added to fund	36	39
Intra group transfer	(7,018)	(2,420)
Grant repaid	-	(10)
Grant recycled into new schemes	<u>(565)</u>	<u>(611)</u>
Recycled Capital Grant as at 31 March	347	6,635
Due within one year	-	(3,221)
Due in more than one year	<u>347</u>	<u>3,414</u>

18. Called up share capital

	2011 £	2010 £
Shares of £1 each issued and fully paid:		
Balance at 1 April and 31 March	<u>11</u>	<u>11</u>

SOUTHERN HOME OWNERSHIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2011

19. Revenue reserve

	2011 £000s	2010 £000s
Balance at 1 April	17,006	17,006
Result for year	1,346	-
	<u>18,352</u>	<u>17,006</u>

20. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number: 185211R) and registered by the Housing Corporation (Registered Number LH1662).

21. Related Parties

One board member was a lease holder during the year. Any transactions are on normal commercial terms and they are not able to use their position for personal advantage.

The Association has taken advantage of the exemptions in FRS 8 allowing no disclosure to be made in respect of related party transactions relating to group companies.

21. Capital commitments

	2011 £000s	2010 £000s
Capital expenditure contracted but not provided for in the financial statements	<u>11,765</u>	<u>16,373</u>