

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2009**

Industrial and Provident Societies Act 1965 (Registered number: 18521R) and registered by  
the Housing Corporation (Registered Number LH1632).

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**

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

### **The Board**

Members of the Board of Southern Housing Home Ownership Limited at 6 July 2009:

Neville Hudson  
John Argent  
Andrew Barchi  
John Castelberg  
Dale Meredith  
Jane Hives  
Diana Vavasour-Sandford  
David Williams

Chairman  
Appointed 16 March 2009  
Resigned 19 January 2009  
Appointed 16 March 2009  
  
Appointed 16 March 2009  
Resigned 19 January 2009  
Resigned 19 January 2009

### **Senior Executives**

The senior management team of the Group at 6 July 2009:

Tom Dacey  
Barry Nethercott  
Dale Meredith  
Paul Smith  
Caroline Tiller  
Alene Wilton  
Margaret Wright

Group Chief Executive  
Finance Director  
Development Director  
Operations Director  
Executive Director, James Butcher Housing Association  
Corporate Services Director  
Executive Director, South Wight Housing Association

### **Secretary and Registered Office**

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

### **Principal Solicitors**

Winckworth Sherwood  
35 Great Peter Street  
Westminster  
London  
SW1P 3LR

### **Auditor**

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

### **Bankers**

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

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD**  
**For the year ended 31 March 2009**

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2009.

**Principal activities**

Southern Housing 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 Housing Home Ownership Limited. Accordingly, the financial statements of Southern Housing Home Ownership Limited are consolidated with those of Southern Housing Group Limited.

Southern Housing Home Ownership Limited, together with Southern Housing Group Limited, Southern Housing Foundation, South Wight Housing Association Limited, James Butcher Housing Association Limited and Southern Space Limited comprise the Southern Housing Group (the Group). The Group accounts will be published on the Association's website, [www.shgroup.org.uk](http://www.shgroup.org.uk).

**Review of results**

During the year, the Association adopted the Statement of Recommended Practice 2008 (SORP) for accounting for first tranche sales of shared ownership properties. The new Statement of Recommended Practice for Registered Social Landlords 2008 (SORP) resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. Under the SORP for Registered Social Landlords 2005, shared ownership sales of property are treated as follows:

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

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

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

There are no other material adjustments resulting from the new SORP.

The results for the year ended 31 March 2008 have been restated as though the policy was in force for that year and the Balance Sheet as at 31 March 2008 has been restated to reflect the cumulative effect of the change in policy had it always been in place.

The Association made a deficit of £14.149m during the year, compared with £4.65m in the previous year. A gift aid payment of £20.95m was made to Southern Housing Group Limited (2008: £12.47m). At 31 March 2009, general reserves carried forward amounted to £17.01m (2008: £31.16m).

The Association incurred capital expenditure of £7.56m (2008: £6.88m) during the year on acquisition and development of properties. Net of 100% staircasing of stock 2 completed units were added to the stock of housing accommodation owned during the year. Details of changes to the Association's fixed assets are shown in notes 10 and 11 of the financial statements.

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2009**

**Future plans**

The Association's housing portfolio is now managed by other Group companies. One new development in low cost home ownership and open market sale is currently being developed.

**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 Housing Home Ownership Limited, the remainder are held by members of the Southern Housing Group Limited Board.

**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 Association aims to support the employment of disabled persons where possible, both in recruitment and in the retention of employees whilst in the employment of the Association.

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

**Corporate governance**

The Association has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance. The ways in which the Association seeks to achieve good governance are outlined below.

**The Board**

The Board is responsible for the business of the Association which includes overseeing and directing the Association's activities, formulating future strategies and plans, maintaining an overview and monitoring the work of the committee (see below). The Board meets formally four times a year. There is a minimum of five and maximum of nine Board members. Board members serve a maximum of three continuous terms of three years. Day to day management, within the strategic and policy framework laid down by the Board, is delegated to the Executive Officers.

**Audit Committee**

The Group audit committee meets four times per year. It considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the operation of the Group's risk management and internal control arrangements. The Association nominates a Board member to also be a member of the Audit Committee.

**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 2009 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 HOUSING HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2009**

**Main policies established to provide effective internal control**

**Risk assessment**

The Group's objectives are established within the context of the Group's Business Philosophy document. 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

The Group is currently developing a new fraud policy and response statement, and is reviewing its whistle blowing policy and procedure.

**Information**

There is an extensive and timely system for reporting progress in the Group, at many levels. The Boards and there 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 HOUSING HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**

For the year ended 31 March 2009

**Statement of the responsibilities of the Board**

The Board of Management are responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 of Management are 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 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

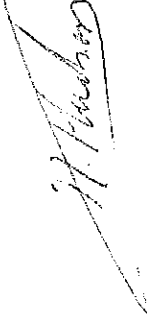
The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

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



Neville Hudson  
Chairman  
On behalf of the Board  
6 July 2009

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SOUTHERN HOUSING HOME OWNERSHIP LIMITED**

We have audited the financial statements of Southern Housing Home Ownership Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an 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 Board and auditors**

The responsibility of the association's Board for the preparation of the Board's Report, and the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), are set out in the Statement of Board's Responsibilities on page 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Board's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 judgments 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 the association's affairs as at 31 March 2009 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



**KPMG LLP**  
Chartered Accountants  
Registered Auditor

*17th July 2009*



**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2009

	Note	2009 £000's	2008 as Restated £000's
<b>TURNOVER</b>			
Operating costs	2	12,132	20,319
	2	<u>(5,952)</u>	<u>(13,347)</u>
<b>OPERATING SURPLUS</b>		6,180	6,972
Surplus on sale of fixed assets	5	1,582	8,270
Interest receivable and other income	6	475	451
Interest payable and similar charges	7	<u>(1,439)</u>	<u>(1,401)</u>

**SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR**

Payment under Gift Aid to Southern Housing Group Limited	8	6,798	14,292
		<u>(20,947)</u>	<u>(12,472)</u>

**(Deficit)/Surplus before taxation**

		(14,149)	1,820
Tax on surplus from ordinary activities	9	-	-

**(DEFICIT)/SURPLUS FOR THE YEAR**

		<u>(14,149)</u>	<u>1,820</u>
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The notes on pages 9 to 25 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.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES & DEFICITS**

	Note	2009 £000's	2008 £000's
(Deficit)/Surplus for the year as originally stated		(14,149)	571
Prior year adjustment	21	-	1,249
Total surpluses recognised for the year		<u>(14,149)</u>	<u>1,820</u>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**BALANCE SHEET**  
 As at 31 March 2009

	Note	2009 £000's	2008 as Restated £000's
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties at cost less depreciation	10	107,412	104,242
Less: Social Housing Grant and other grants	10	(55,908)	(55,281)
Net housing properties		51,504	48,961
Other tangible fixed assets	11	446	26
Total tangible fixed assets		<b>51,950</b>	<b>48,987</b>
<b>INVESTMENTS</b>			
Investment in Subsidiary	12	-	-
Homebuy and starter home initiatives		10,051	10,489
Less: Social Housing Grant		(9,438)	(9,807)
		<b>52,563</b>	<b>49,669</b>
<b>CURRENT ASSETS</b>			
Stock of Homes for resale	13	2,768	6,283
Debtors	14	11,244	2,862
Cash at bank and in hand		8,704	9,605
		<b>22,716</b>	<b>18,750</b>
<b>CREDITORS: Amounts falling due within one year</b>	15	<b>(22,863)</b>	<b>(5,681)</b>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(147)</b>	<b>13,069</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>52,416</b>	<b>62,738</b>
<b>CREDITORS: Amounts falling due after more than one year</b>			
Housing loans	16	27,825	24,825
Recycled capital grant fund	17	7,585	6,758
<b>CAPITAL AND RESERVES</b>			
Share capital	18	-	-
Revenue reserves	19	17,006	31,155
		<b>52,416</b>	<b>62,738</b>

The notes on pages 9 to 25 form part of these financial statements. The financial statements were approved at a meeting of the Board on 6 July 2009.



N Hudson  
Chairman



Board Member



P Caine  
Secretary

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2009**

The Association applies the accounting policies of the Southern Housing Group Limited, the policies that apply to the Association are set out below.

**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 2005, 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.

**Turnover**

Turnover represents rental and service charge income receivable from properties owned by the Association and those managed for third parties, fees receivable and revenue grants from the Housing Corporation and other public authorities. It includes the surplus from the sale of properties developed for the open market. It also includes receipts from the sale of the 1<sup>st</sup> 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 HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**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	between 60 and 160 years
Housing properties held on short leases	length of lease
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**

Stock and work in progress is stated at the lower of cost (including attributable overheads and interest) and net realisable value.

**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 Housing 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.

**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.

**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.

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**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**

Taxation is chargeable on the surpluses of Southern Housing 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.

**1<sup>st</sup> tranche sales**

During the year, the Association adopted the Statement of Recommended Practice 2008 (SORP). The new Statement of Recommended Practice for Registered Social Landlords 2008 (SORP) resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. Under the SORP for Registered Social Landlords 2005, shared ownership sales of property are treated as follows:

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

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

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

There are no other material adjustments resulting from the new SORP.

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

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

	2009 Turnover £000's	Operating Costs £000's	2009 Operating surplus £000's	2008 Operating surplus £000's
<b>Social housing lettings</b>	6,181	(2,082)	4,099	3,756
<b>Other social housing activities</b>	33	(11)	22	(4)
<b>Shared Ownership 1st Tranche Sale Proceeds</b>	5,335	(3,615)	1,720	1,985
<b>Non-social housing activities</b>				
Market renting lettings	-	-	-	97
Open market sales	554	(240)	314	1,110
Commercial income	5	(4)	1	1
Other	24	-	24	27
<b>Total 2009</b>	<b>12,132</b>	<b>(5,952)</b>	<b>6,180</b>	<b>6,972</b>

**PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	2009		2008	
	Intermediate Rent £000's	Shared ownership £000's	Total £000's	Total £000's
Rent receivable net of identifiable service charges	320	5,203	5,523	5,153
Service charges receivable	31	627	658	736
<b>Gross rental income</b>	<b>351</b>	<b>5,830</b>	<b>6,181</b>	<b>5,889</b>
<b>Turnover from social housing lettings</b>	<b>351</b>	<b>5,830</b>	<b>6,181</b>	<b>5,889</b>
Management Services	(32)	(899)	(931)	(1,084)
Routine maintenance	(3)	(888)	(891)	(781)
Rent losses from bad debts	(38)	-	(38)	(18)
Depreciation of housing properties	(1)	15	14	(34)
Other costs	(68)	-	(68)	(80)
	(9)	(159)	(168)	(136)
<b>Operating costs on social housing lettings</b>	<b>(151)</b>	<b>(1,931)</b>	<b>(2,082)</b>	<b>(2,133)</b>
<b>Operating surplus on social housing lettings</b>	<b>200</b>	<b>3,899</b>	<b>4,099</b>	<b>3,756</b>
Void losses	19	-	19	33

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**3. Directors' emoluments**

No member of the Board received any remuneration for their role as member of the Board of Southern Housing Home Ownership Limited during the year (2008: £nil). No expenses were reimbursed to members of the Board during the year (2008: £561).

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**

	2009	2008
	No.	No.
Average number of full-time equivalent employees	2	8

	2009	2007
	£000's	£000's
Staff costs (for the above employees)		
Wages and salaries	73	278
Social security costs	6	23
Other pension costs	12	31
	<u>91</u>	<u>332</u>

**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 2006 and was updated for FRS 17 purposes to 31 March 2009 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 April 2007 is:

Pre July 1992 members	26.3%	(2006/7: 21.7%)
Post July 1992 members	20.3%	(2006/7: 15.7%)

plus an additional annual payment of £208,584.

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**4. Employee information (continued)**

The major assumptions used in this valuation were:

Actuarial assumptions	2009 % pa	2008 % pa	2007 % pa
Rate of increase in salaries	3.80	4.50	4.00
Rate of increase in pensions in payments and deferred pensions	2.80	3.50	3.00
Discount Rate	6.00	6.00	5.25
Inflation assumption	2.80	3.50	3.00

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.



**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**4. Employee information (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 cash flow projections over long periods and thus inherently uncertain, were:

<b>Scheme values</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Equities	6,808	9,837	10,752
Bonds	6,422	5,935	5,861
Property	628	848	869
Cash	414	339	235
<b>Total market value of assets</b>	<b>14,272</b>	<b>16,959</b>	<b>17,717</b>
<b>Present value of scheme liabilities</b>	<b>(21,113)</b>	<b>(23,014)</b>	<b>(23,029)</b>
<b>Deficit in the scheme</b>	<b>(6,841)</b>	<b>(6,055)</b>	<b>(5,312)</b>
<b>Net pension liability</b>	<b>(6,841)</b>	<b>(6,055)</b>	<b>(5,312)</b>
	<b>Long term</b>	<b>Long term</b>	<b>Long term</b>
	<b>rate of return</b>	<b>rate of return</b>	<b>rate of return</b>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equities	6.50	6.50	6.50
Bonds	6.50	5.25	5.25
Property	6.00	6.00	6.00
Cash	4.00	4.00	4.00
<b>Movement in deficit during year</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Deficit in scheme at beginning of year	(6,055)	(5,312)	(3,573)
Current service cost	(623)	(688)	(677)
Contributions paid	895	844	979
Other finance expense	(353)	(134)	(20)
Actuarial (loss)/gain	(705)	(765)	(2,021)
<b>Deficit in scheme at end of year</b>	<b>(6,841)</b>	<b>(6,055)</b>	<b>(5,312)</b>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**4. Employee information (continued)**

Analysis of other pension costs charged in arriving at operating surplus	2009	2008	2007
	£000s	£000s	£000s
Current service cost	(623)	(688)	(677)

Analysis of amounts included in other finance income/expenditure	2009	2008	2007
	£000s	£000s	£000s
Expected return on pension scheme assets	1,042	1,083	973
Interest on plan liabilities	(1,395)	(1,217)	(993)
	(353)	(134)	(20)

Analysis of amount recognised in statement of total recognised surpluses and deficits	2009	2008	2007
	£000s	£000s	£000s
Actual return less expected return on assets	(4,483)	(2,305)	(166)
Experience gains/(losses) arising on scheme liabilities	6	(85)	40
Changes in assumptions underlying the present value of scheme liabilities	3,772	1,625	(1,895)
Actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits	(705)	(765)	(2,021)

**History of experience gains and losses**

Difference between the expected and actual return on scheme assets:	2009	2008	2007
	£000s	£000s	£000s
Amount	(4,483)	(2,305)	(166)
Percentage of year end scheme assets	(31.4%)	(13.6%)	(0.9%)
Experience gains arising on scheme liabilities			
Amount	6	(85)	40
Percentage of present value of year end scheme liabilities	0.0%	(0.4%)	0.2%
Actuarial (losses)/gain recognised in statement of total recognised gains and losses			
Amount	(705)	(765)	(2,021)
Percentage of present value of year end scheme liabilities	(3.3%)	(3.3%)	(8.8%)

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**5. Surplus on sale of assets**

	Staircasing £000's	Homebuy & SHI £000's	2009 £000's	2008 £000's Restated
Sale proceeds	2,946	147	3,093	16,879
Cost of sales	(1,479)	-	(1,479)	(8,560)
Incidental sale expenses	(32)	-	(32)	(49)
	<u>1,435</u>	<u>147</u>	<u>1,582</u>	<u>8,270</u>

**6. Interest receivable and other income**

	2009 £000's	2008 £000's
Interest and dividend income receivable from unlisted investments and bank deposits	<u>475</u>	<u>451</u>

**7. Interest payable and similar charges**

	2009 £000's	2008 £000's
On bank loans, overdraft and other loans: Repayable wholly or partly in more than 5 years	1,439	1,970
Less: interest payable capitalised	-	(569)
	<u>1,439</u>	<u>1,401</u>

**8. Surplus on ordinary activities for the year before tax**

	2009 £000's	2008 £000's
Surplus on ordinary activities before tax for the year is stated after charging:		
Depreciation:		
Housing land & buildings	70	88
Other tangible fixed assets	2	1
Auditors' remuneration (including VAT and expenses):		
Audit services	17	23

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**9. Taxation**

UK Corporation tax	2009 £000's	2008 £000's
Current tax at 30% (2008 : 30%)	-	-
The current tax charge for the year is lower (2008: higher) than the standard rate of corporation tax in the UK (30% (2008 : 30%)). The differences are explained below.		
Current tax reconciliation		
(Deficit)/surplus on ordinary activities as restated	(14,149)	1,820
Less: prior year adjustment	-	(1,249)
(Deficit)/surplus on ordinary activities as previously stated	<u>(14,149)</u>	<u>571</u>
Current tax at 30%	(4,245)	171
Effects of:		
Expenses not deductible for tax purposes	4,245	1
Indexation allowances in period	-	(172)
Depreciation in the year in excess of capital allowances	-	-
Total current tax charge (see above)	<u>-</u>	<u>-</u>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2009**

**10. Tangible fixed assets: housing properties**

Cost	General	Open	Market	Intermediate	Intermediate	Shared	Shared	Total
	Needs housing properties under construction	Market Sale under construction	Rent housing properties	Rent housing properties	Rent housing properties under construction	Ownership housing properties	Ownership housing properties under construction	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2008	-	-	601	9,402	-	86,518	-	96,521
Prior Year Adjustment (see note 21)	-	-	-	-	-	14,149	-	14,149
Prior Year Adjustment (see note 21)	-	-	-	-	-	(6,283)	-	(6,283)
At 1 April 2008 restated	-	-	601	9,402	-	94,384	-	104,387
Additions: new properties	463	1,469	-	-	407	-	2,298	4,637
Additions: work to existing properties	-	-	11	60	-	2,851	-	2,922
Transfer to Stock	-	(1,469)	-	-	-	(609)	-	(2,768)
Reclassification	-	-	-	(762)	-	762	-	-
Transfer to Other Fixed Assets	-	-	-	-	-	(422)	-	(422)
Disposals	-	-	(240)	-	-	(889)	-	(1,129)
At 31 March 2009	463	-	372	8,700	407	96,077	1,608	107,627
<b>Social Housing Grant</b>								
At 1 April 2008	-	-	-	2,499	-	51,420	-	53,919
Schemes completed	-	-	-	-	-	-	-	-
Additions	315	-	-	-	180	165	750	1,410
Transfer (to)/from RCGF	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(706)	-	(706)
At 31 March 2009	315	-	-	2,499	180	50,879	750	54,623
<b>Other Grants</b>								
At 1 April 2008	-	-	-	-	-	1,362	-	1,362
Disposals	-	-	-	-	-	(77)	-	(77)
At 31 March 2009	-	-	-	-	-	1,285	-	1,285
<b>Depreciation</b>								
At 1 April 2008	-	-	32	113	-	-	-	145
Reclassification	-	-	(18)	18	-	-	-	-
Charge for year	-	-	4	66	-	-	-	70
Eliminated in respect of disposals	-	-	-	-	-	-	-	-
At 31 March 2009	-	-	18	197	-	-	-	215
<b>Net Book Value</b>								
At 31 March 2009	148	-	354	6,004	227	43,913	858	51,504
At 31 March 2008	-	-	569	6,790	-	41,602	-	48,961

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**10. Tangible fixed assets: housing properties (continued)**

Housing properties comprise:

	2009 £000's	2008 £000's
Freehold	76,175	71,400
Long leasehold	<u>31,452</u>	<u>39,270</u>
	<u><u>107,627</u></u>	<u><u>110,670</u></u>

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

	2009 £000's	2008 £000's
SHG and other capital grants deducted from:		
Housing properties at cost	55,908	55,281
Homebuy and starter home initiative	<u>9,438</u>	<u>9,807</u>
	<u><u>65,346</u></u>	<u><u>65,088</u></u>

Additions to housing properties during the year included capitalised interest payable of £nil (2008: £569,000).

All owned stock is now managed by others as follows:

	2009 Units	2008 Units
By other group members:		
General needs	42	-
Shared ownership	1,763	1,803
Intermediate rent	65	65
Housing managed by Others (ARHAG HA)	15	15
Total social housing	<u>1,885</u>	<u>1,883</u>
Market rent	-	-
Total units in ownership	<u>1,885</u>	<u>1,883</u>
Housing managed for other members of the Group	-	-
Housing managed for Others	-	-
Less: Housing managed by Others	-	-
Total units owned	<u>1,885</u>	<u>1,883</u>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
 For the year ended 31 March 2009

**11. Other tangible fixed assets**

	Freehold properties
	£000's
<b>Cost</b>	
At 1 April 2008	30
Transfer from Housing Land & Building	422
At 31 March 2009	<u>452</u>
<b>Depreciation</b>	
At 1 April 2008	4
Charge for year	2
At 31 March 2009	<u>6</u>
<b>Net Book Value</b>	
At 31 March 2009	<u>446</u>
At 31 March 2008	<u>26</u>

**12. Investment in subsidiary**

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

Company	% OF ORDINARY SHARES HELD	
	2009	2008
Riverside Close Management Ltd	67	67
Rolvenden Amenity Ltd	76	76
Cheriton Road Management Company Ltd	75	75
Cost	2009	2008
	£'s	£'s
	<u>218</u>	<u>218</u>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2009**

**13. Stock of Homes for resale**

	2009 £000's	2008 £000's
Properties under construction	2,159	6,283
Completed properties	<u>609</u>	<u>-</u>
	<u>2,768</u>	<u>6,283</u>

**14. Debtors**

	2009 £000's	2008 £000's
Due within one year:		
Arrears of rent and service charges	462	568
Less: provision for bad and doubtful debts	<u>(200)</u>	<u>(219)</u>
	262	349
Amounts due from connected entities	7,501	-
Other debtors	3,231	2,247
Prepayments and accrued income	<u>250</u>	<u>266</u>
	<u>11,244</u>	<u>2,862</u>

At 31 March 2009, balances on bank accounts held on trust for shared owners totalled £2,568,963 (2008: £2,183,897) and are included in other debtors.

**15. Creditors: amounts falling due within one year**

	2009 £000's	2008 £000's
Social Housing Grant received in advance	247	240
Recycled capital grant fund	-	1,222
Amounts due to connected entities	18,891	242
Accruals and deferred income	556	1,127
Corporation tax	-	4
Other taxation and social security	32	-
Rent and service charges received in advance	98	81
Other creditors	<u>3,039</u>	<u>2,765</u>
	<u>22,863</u>	<u>5,681</u>

Social Housing Grant received in advance will be utilised against capital expenditure in 2008/09.

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £2,551,033 (2008: £2,210,168) are reflected above in other creditors.



**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**16. Housing loans**

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

	2009 £000's	2008 £000's
Between one and two years	-	250
Between two and five years	-	1,375
In five years or more	<u>27,825</u>	<u>23,200</u>
	<u>27,825</u>	<u>24,825</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**

	2009 £000's	2008 £000's
Balance at 1 April	7,980	8,474
Grant released on sales	-	3,211
Interest added to fund	193	348
Intra group transfer	-	(4,053)
Grant recycled into new schemes	<u>(588)</u>	<u>-</u>
Recycled Capital Grant as at 31 March	7,585	7,980
Due within one year	<u>-</u>	<u>(1,222)</u>
Due in more than one year	<u>7,585</u>	<u>6,758</u>

**18. Called up share capital**

Shares of £1 each issued and fully paid:

	2009	2008
Balance at 1 April	11	12
Shares surrendered during year	<u>-</u>	<u>(1)</u>
As at 31 March	<u>11</u>	<u>11</u>

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**19. Revenue reserve**

	2009	2008
	£000's	£000's
Balance at 1 April as previously reported	17,006	16,435
Prior Year Adjustment (see note 21)	14,149	12,900
	31,155	29,335
Prior Year Adjustment - 2007/08 (see note 21)	-	1,249
(Deficit)/surplus for year as originally stated	(14,149)	571
As at 31 March	17,006	31,155

**20. Legislative provisions**

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number: 18521R) and registered by the Housing Corporation (Registered Number LH1632).

**21. Prior year adjustment**

During the year, the Association adopted the Statement of Recommended Practice 2008 (SORP). The new Statement of Recommended Practice for Registered Social Landlords 2008 (SORP) resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. Under the SORP for Registered Social Landlords 2005, shared ownership sales of property are treated as follows:

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

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

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

The results for the year ended 31 March 2008 have been restated as though the policy was in force for that year and the Balance Sheet as at 31 March 2008 has been restated to reflect the cumulative effect of the change in policy had it always been in place.

There are no other material adjustments resulting from the new SORP.

**SOUTHERN HOUSING HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2009

**21. Change in Accounting Policy (continued)**

The effect on the results for prior years and the balance sheet as at 31 March 2008 are:

	Cumulative adjustment to 31 March 2007	Prior year adjustment 2007/08	Cumulative adjustment to 31 March 2008
<b>Balance sheet</b>			
<b>Tangible fixed assets: housing properties</b>			
<b>Cost: completed shared ownership housing properties</b>			
Completed fixed asset shared ownership properties as at 31 March as previously stated	75,311		<u>86,518</u>
Add: accumulated first tranche surpluses from prior years	12,900	1,249	<u>14,149</u>
Less: first tranche amounts held in stock	<u>12,900</u>	<u>1,249</u>	<u>14,149</u>
Completed fixed asset shared ownership properties as at 31 March as restated (Note 10)	<u>88,211</u>		<u>100,667</u>
<b>Current assets: properties for sale</b>			
Completed stock of housing properties as at 31 March as previously stated (Note 13)	5,071		<u>-</u>
Add: transfer from fixed asset housing properties	-	6,283	<u>6,283</u>
Completed stock of housing properties as at 31 March as restated (Note 13)	<u>5,071</u>		<u>6,283</u>
<b>Revenue reserve (Note 19)</b>			
Revenue reserve as at 31 March	16,435		<u>17,006</u>
Add: surplus on first tranche shared ownership sales (Note 2) (see below)	13,438	1,985	<u>15,423</u>
Less: increased cost on shared ownership staircasing (Note 5) (see below)	(538)	(736)	<u>(1,274)</u>
Revenue reserve as at 31 March as restated	<u>12,900</u>	<u>1,249</u>	<u>14,149</u>
	<u>29,335</u>		<u>31,155</u>
<b>Shared Ownership first tranche sales (Note 2)</b>			
Turnover - proceeds of first tranche sales	40,428	7,218	<u>47,646</u>
Cost of sales	(26,990)	(5,233)	<u>(32,223)</u>
Surplus (Note 2)	<u>13,438</u>	<u>1,985</u>	<u>15,423</u>
<b>Surplus/(Deficit) on sale of fixed assets (Note 5)</b>			
Less: additional cost of staircasing on shared ownership sales	(538)	(736)	<u>(1,274)</u>

**22. 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.

