



2007 – 2008



# Group Financial Accounts

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

# The Board, Senior Executives and Advisers

## Members of the Board of Southern Housing Group Limited as at 31 March 2008

Andrew McIntyre	Chairman
John Argent	Deputy Chairman, Development Committee Chairman
Tony Bourne	Treasury Committee Chairman
John Castelberg	
Tom Dacey	Group Chief Executive
Peter Goodacre	James Butcher Housing Association Chairman
Chris Hampson	Customer Services Committee Chairman
Jim Hitch (Co-opted on 26 March 2007)	Co-optee
Jane Hives	Audit Committee Chairman
Neville Hudson	Southern Housing Home Ownership Chairman
David Kelly (Co-opted on 29 October 2007)	Co-optee
Robert Sturgess	South Wight Housing Association Chairman
Letitia Stenning	

The following members resigned during the year:

Sean Baine - 10 April 2007  
Elisa Vaughan - 10 July 2007

Changes to the Board to 7 July 2008:

Letitia Stenning - Resigned 17 June 2008  
Jim Hitch - Became a full Board member 7 July 2008

## Group Strategy Team as at 31 March 2008

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

The following Director resigned during the year:

George McMorran - 31 July 2007

## 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  
35 Great Peter Street  
Westminster  
London SW1P 3LR

# Operating and Financial Review

31 March 2008

## Group financial results: five year summary in £m

For the year ended 31 March

2008

2007

2006

2005

2004

### Income and Expenditure Account

Turnover	<b>115.3</b>	100.0	74.3	67.2	64.1
Operating costs	<b>(87.7)</b>	(74.7)	(58.6)	(53.0)	(52.7)
Operating surplus	<b>27.6</b>	25.3	15.7	14.2	11.4
Net interest charge	<b>(19.8)</b>	(19.1)	(10.9)	(12.0)	(10.8)
Surplus on sale of assets	<b>10.5</b>	8.5	6.0	8.0	7.1
Surplus for year	<b>18.3</b>	14.7	10.8	10.2	7.7

### Balance Sheet

Housing properties at cost less depreciation	<b>1,251.7</b>	1,158.7	1,004.9	884.6	801.4
Less: Social Housing and other grants	<b>(620.5)</b>	(582.0)	(551.4)	(527.7)	(483.1)
	<b>631.2</b>	576.7	453.5	356.9	318.3
Other tangible fixed assets	<b>37.1</b>	34.0	23.4	22.3	21.6
Investments	<b>4.4</b>	3.5	4.2	3.7	3.4
Net current assets/(liabilities)	<b>2.7</b>	4.0	(18.7)	(21.7)	(9.3)
	<b>675.4</b>	618.2	462.4	361.2	334.0
Loans due after one year	<b>467.8</b>	428.7	294.7	216.1	197.2
Other long-term liabilities	<b>21.0</b>	20.3	14.8	8.1	11.5
Negative goodwill	<b>16.1</b>	16.3	13.3	2.6	2.7
Reserves	<b>170.5</b>	152.9	139.6	134.4	122.6
	<b>675.4</b>	618.2	462.4	361.2	334.0

### Statistics

Operating margin	<b>24%</b>	25%	21%	21%	18%
Interest cover	<b>115%</b>	104%	101%	100%	97%
Gearing	<b>59%</b>	58%	43%	33%	33%
Units of accommodation in management	<b>24,484</b>	23,825	19,865	18,506	18,845

## Overview of the Business

Southern Housing Group (the Group) is one of the largest affordable housing providers in southern England; housing 66,000 residents, owning and managing nearly 25,000 homes, employing 900 people and working with more than 80 local authorities.

The Group's activities centre on four key areas: the development of affordable housing; housing and neighbourhood management; a range of housing options for rent and home ownership; and social investment.

The Group is a major developer of new affordable housing and is a Housing Corporation preferred partner.

Southern Housing Group Limited (SHGL) which is the parent organisation, Southern Housing Home Ownership Limited (SHHO), South Wight Housing Association Limited (SWHA) and James Butcher Housing Association Limited (JBHA) are all Registered Social Landlords (RSLs) regulated by the Housing Corporation. These consolidated accounts will be published on the Group's website, [www.shgroup.org.uk](http://www.shgroup.org.uk).

The Housing Corporation has given the Group 'green lights' for all four areas of compliance: Viable, Properly Governed, Properly Managed and Development.

Southern Housing Foundation (SHF) is a charitable organisation that, in partnership with other agencies, funds a range of community initiatives to help create sustainable neighbourhoods where people want to live. At the end of this financial year, to improve efficiency and value for money, SHF was wound up as a separate legal entity and its activities will be managed within SHGL in future.

Southern Space Limited (SSL) develops properties for outright sale.

## External Influences

Having initiated a review of the institutional structure for delivery of housing and regeneration programmes during 2006, the Government announced its plans to merge the activities of the Housing Corporation, English Partnerships and a range of activities carried out by Communities and Local Government into a new agency. It is anticipated that the new Homes and Communities Agency will be operational from December 2008. The agency will bring together responsibility for land and for money to deliver new housing, community facilities and new infrastructure.

At the same time, and as a result of the recommendations of the Cave Review of the Regulation of Social Housing, this legislation will establish a new regulatory body for housing, the Tenant Services Authority. Initially the new agency will be responsible only for housing associations and their tenants, but Ministers have indicated their intention to extend its powers to local authorities and their tenants within two years. One of the first tasks of the new regulator will be

to design a new regulatory system, consult on a standards framework, and introduce the new requirements and enforcement powers. Because of the magnitude of this work, the Tenant Services Authority will, for a period of time, regulate using the same 1996 legislation as the Housing Corporation does now.

In May 2008 London's political landscape changed, with the election of Boris Johnson as Mayor. Key to his proposals are plans to deliver 50,000 more affordable homes by 2011 and to deliver more family-sized homes. The Mayor has also expressed a desire to invest £60 million from the Regional Housing Budget to start renovating the capital's 84,205 empty properties – a move designed to help low-income Londoners off waiting lists. Land will also be released by the Greater London Authority (GLA), matched by £130 million from the Regional Housing Budget, to launch a new 'First Steps Housing Scheme', which will be open to first-time buyers ineligible for current government schemes.

The current uncertainties in the housing and financial markets bring particular challenges for our development strategy. Looking forward we aim to continue to play our full part as a Housing Corporation Preferred Partner and progress with our development programme. That said, the impact of the credit crunch on reducing liquidity in the financial market, together with falling prices in the housing market may result in a slowing of the current planned level of activity. At this time our priority will be sustaining our financial strength to enable us to take full advantage of any future opportunities.

## Objectives

During the year the Group continued to deliver against the four fundamental objectives of its Business Philosophy:

- **Growth:** where the objectives are to enhance the status of social housing, ensuring that people wish to occupy the Group's homes and to increase the Group's housing stock.
- **Influence:** through providing an excellent service on a daily basis and actively seeking opportunities to enhance and improve the Group's image.
- **Expertise:** the Group aims to seek and implement innovative solutions and to work together across the Group.
- **Assets:** the Group objective is to work in partnership with residents to ensure that housing stock is continuously of the highest standard. It is imperative that the Group continues to operate in surplus in order to invest in new developments.

Backing up these objectives are the critical success factors and these were most recently reviewed to cover the period 2006-9. The critical success factors are monitored and regularly reported to the Board.

# Operating and Financial Review

31 March 2008

During 2008-9 it is planned to revise the Business Philosophy, to ensure that its critical success factors remain relevant and challenging for the next three years. It is also proposed to develop and strengthen the framework which integrates the Group's corporate objectives with its operational and financial planning and reporting, and its approach to risk management.

## Strategies

The Group intends to increase the number of homes it owns and manages through the following initiatives:

- **Affordable housing development:** the Group has just completed its second partnering programme with the Housing Corporation and has achieved 132% of its completions and 140% of its cash spend targets for the 2006/08 two year programme. The Group aims to continue to be a Housing Corporation Preferred Partner and to run a realistic forward development programme in the current economic climate.
  - **Regeneration:** redevelopment of the Market Estate which transferred to the Group in February 2005 from the London Borough of Islington after the successful tenants' ballot is now underway. The first completed homes were handed over in May 2007 and existing residents have now moved into phase 1 and phase 2 has started on site. We are looking into combining phases 3 & 4 and are seeking to acquire additional land adjacent to the site. In partnership with Berkeley Homes and ASRA, the Group has been selected by the London Borough of Greenwich to undertake the redevelopment of the Ferrier estate in Kidbrooke. Phased over some 11 years the scheme will provide 4,400 homes of which 1,500 will be for affordable rent and shared ownership. This is currently progressing to the next planning stage. We are continuing to work with Berkeley Homes on further phases of the major Royal Arsenal redevelopment in nearby Woolwich and are involved in a number of other major schemes in London and the South East which will produce affordable mixed tenure homes in phases over the next five years and beyond.
  - **Reinvestment:** we are on target to complete the decent homes programme by December 2010 in accordance with government objectives and are slightly ahead of trajectory across the Group. At the end of March 2008 more than 93% of Southern Housing Group stock met decent homes standards.
  - **Development for sale:** the Group's market sale subsidiary, Southern Space Limited, made its first sales in April 2007. The company had acquired land or was building nine schemes at 31 March 2008, comprising a total of 147 units for sale. Further completions are expected on a few carefully selected sites in the first quarter of 2008/09.
- **Merger:** the Group has adopted a more proactive approach to seeking out merger opportunities and to consider opportunities in a wider geographical area as well as consolidating in existing areas of operation.

### Main Group strategies to improve service delivery are:

- The Group's Service Centre has been, and continues to be, a significant driver for the improvement of services to residents and has allowed the Group more readily to capture views about, and monitor the nature and quality of services provided. The Customer Service Centre provides residents with access to a wide range of housing management services from 8am to 8pm every weekday, working alongside the Group's regionally-based offices, where locally-based housing management teams are located. Specialist teams within the Service Centre deliver front-line services for the handling of income recovery, repairs reporting and resident service enquiries.
- During the year, the role performed by the Service Centre was extended to incorporate the provision of services to homeowners as part of the wider integration of resident services within the Group. Associated organisational changes saw the integration of local arrangements for the management and delivery of services to residents, not based on tenure as had previously been the case, but targeted at improving and rationalising overall levels of service delivery.
- A key focus over the forthcoming year will be ensuring the success of these new arrangements as they become more established, and we look both to consolidate and develop arrangements for the delivery of services to residents.
- The Group's Continuous Systems Improvement team plays a fundamental part in the Group's approach to service improvement, by conducting reviews of service processes using "lean systems thinking" to minimise the amount of "waste" in the Group's processes and to ensure both effective and efficient processes are deployed. A programme, comprising a mix of strategic and team focussed projects, has been developed as part of an approach to deliver improvements across the business. Accredited training for staff is also available in order to provide a wider insight and understanding of the systems thinking philosophy.

- In looking to develop and improve services and to ensure the relevance of any change to the customer, importance is placed upon the involvement of residents to help develop and better understand the expectations that they have of the Group's services. Results from resident surveys on various aspects of the service are used to identify potential areas of improvement. Focus groups are also used to consider particular aspects of the service, both in the context of wider service reviews, as well as in relation to changes of a more practical nature in terms of the services provided. At a more local level, residents are able to play a role in reviewing and ensuring the standard and quality of services provided by their involvement in routine estate and scheme inspections.
- The Group has been able to realise efficiency gains from the partnering of its day-to-day maintenance contract arrangements. By rationalising its arrangements into four contract areas and reducing the number of contractors with which it works, the Group has been able to strengthen arrangements for the development and quality of its services whilst ensuring significant cost savings. These arrangements continue to develop over time as we explore the possibility for service efficiencies as part of these partnerships. Influenced by our systems thinking approach in this area, over the forthcoming year we will be looking to introduce new performance measures which we believe will more accurately reflect the experience of residents, as well as providing an excellent basis for ongoing development.
- Information Management is recognised as a key component for ensuring effective arrangements for the management and delivery of services across the Group. Work to develop the Group's approach further is therefore planned over the forthcoming year, aimed at ensuring the availability to staff of meaningful and timely information to support them in the performance of their respective roles, as well as enhancing overall reporting arrangements.
- The Group reported significant savings to the Housing Corporation, as part of the Annual Efficiency review process, many of which were delivered through the activities of our Procurement team. Having revisited our Value for Money strategy during the year to date, we are confident of building upon these results in the year ahead.

## Operational performance

Performance details in key operational areas for 2007/08 are set out on page 8, for each of the Registered Social Landlords in the Group. All indicators are derived from internal company data. Targets are set for Key Performance Indicators and they are used in the managing of performance, and in setting the strategies for continuous improvement.

## Tenants' survey results

The STATUS surveys of tenants conducted in 2006 showed that the majority of tenants are satisfied with the Group's services – with 71% of SHGL and JBHA tenants and 82% of SWHA's tenants being satisfied with the overall service.

The majority of tenants (four out of five) are satisfied with their homes and three in four rate the condition of their homes as being good. There are differing levels of satisfaction within areas and neighbourhoods, with tenants on the Isle of Wight having highest satisfaction levels across virtually every indicator.

The majority of tenants recognise their rents represent good value for money (from 74% for SHGL and JBHA to 82% for SWHA).

# Operating and Financial Review

31 March 2008

## Southern Housing Group Limited

Operational Performance	2008	Current Target	2007	2006
Current arrears as percentage of rent roll	5.7%	6.0%	5.7%	6.0%
Average void turnaround time in days	39	28	38	40
Percentage of units void	2.3%		2.2%	1.9%
Available to let	0.8%		0.8%	0.8%
Unavailable to let	1.5%		1.4%	1.1%
Percentage of routine repairs completed on target	81.0%	90.0%	88.0%	90.0%
Gas servicing overdue	1.6%	0%	1.6%	1.0%
Percentage of homes failing the Decent Homes Standard	6.9%	Nil by 2010	10.7%	12.6%

- Improvements in rent arrears performance were sustained throughout the period, resulting in a year on year reduction at the period end.
- The percentage of void properties available for letting has remained at a constant low level, with the increase in those properties unavailable for re-letting reflecting the Group's re-investment and asset management activities.
- The Group's partnering arrangements for the delivery of day-to-day maintenance remain generally stable with ongoing development of these arrangements continuing to be a focus. Overall resident satisfaction with the service remains high despite the evident dip in performance against "traditional" measures as we look to focus our attention on "first time fix" and "end to end" performance measures which we believe more accurately reflect the residents' experience of the service.
- Gas servicing remains an important focus of attention, which is reflected in its sustained and continuing levels of performance.
- The decent homes position has improved with the number of properties not meeting the standard at March 2008 being 913 (2007:1,370). This includes the remaining properties transferred at the Market Estate in Islington, which is in the process of being demolished and rebuilt and which does not meet the Decent Homes Standard.

## Southern Housing Home Ownership Limited

Shared ownership statistics	2008 Target	Current	2007	2006
Current arrears as percentage of rent roll	5.0%	3.8%	5.3%	4.5%
Percentage of repairs completed on target	85.6%	90.0%	98.4%	99.8%

The last year has seen the integration of arrangements for management of its properties with the wider arrangements of the Group, including the Customer Service Centre.

- Arrears have been above target throughout the period but have improved on last year. Transferring recovery activity to the Group's Customer Service Centre is aimed at improving performance in this area.
- Reduced performance during the period is attributed to transitional issues experienced in integrating the service with the established partnering arrangements for routine maintenance.

# Operating and Financial Review

31 March 2008

## South Wight Housing Association Limited

	2008 Target	Current	2007	2006
Current arrears as percentage of rent roll	3.1%	4.0%	5.8%	3.5%
Average void turnaround time in days	32	22	33	22
Percentage of units void	2.5%		1.0%	1.1%
Available to let	2.4%		0.9%	0.4%
Unavailable to let	0.1%		0.1%	0.7%
Percentage of routine repairs completed on target	97.5%	95.0%	96.0%	99.0%
Gas servicing overdue	1.1%	0%	2.4%	1.6%
Percentage of homes failing the Decent Homes Standard	20.7%	Nil by 2010	29.0%	24.0%

- Reduced arrears levels are evident following the transfer of this activity to the Customer Service Centre.
- The period has seen sustained levels of overall void turnaround performance.
- The continued levels of high performance in maintenance are evident in relation to both the routine maintenance and gas servicing. Further improvements to the service are incorporated in the renewed contracting arrangements planned for these services.

Based upon the latest sample surveys which include former Isle of Wight Housing Association properties, 20.7% of SWHA properties fail the Decent Homes Standard.

The planned financial investment, Asset Management strategy and Decent Homes Plus strategy will enable the Group to continue to invest in its stock and meet the standard by the end of 2010.

## James Butcher Housing Association Limited

	2008	Current Target	2007	2006
Current arrears as percentage of rent roll	3.5%	3.0%	3.4%	2.8%
Average void turnaround time in days	43	28	45	39
Percentage of units void	3.4%		5.0%	1.3%
Available to let	3.3%		3.5%	1.2%
Unavailable to let	0.1%		1.5%	0.1%
Percentage of routine repairs completed on target	80.0%	91.0%	74.0%	91.5%
Gas servicing overdue	4.55%	0%	2.6%	5.0%
Percentage of homes failing the Decent Homes Standard	11.3%	Nil by 2010	32.6%	12.5%

- Hoped for improvements in relation to arrears recovery have not been realised following the transfer of this activity to the Group's Customer Service Centre. It is still believed that improvements should, in time, materialise as processes become further established.
- Further improvements have been realised during the period in relation to the turnaround of properties becoming available for letting. To build further upon achievements in this area and following the involvement of the Group's Continuous Systems Improvement team new processes have been introduced in order to streamline procedures.

- Modest improvement in relation to repairs performance has been realised, as the recently established maintenance partnering arrangements have become established.
- Gas servicing performance deteriorated towards the year end, it has now improved and is stable.
- The decent homes position has improved with the number of properties not meeting the standard at March 2008 being 395 (2007:1,161). During the year a significant programme was undertaken to improve those properties that failed the Decent Homes Standard for thermal comfort together with other internal and external works to meet the Group's Decent Homes Plus Standard.

# Operating and Financial Review

31 March 2008

## Environmental

A Sustainability strategy was published during 2004/05 setting targets for new and refurbished buildings as well as a range of wider objectives. This is currently being updated and will be published later this year. SHGL planned to improve the average SAP rating of its housing stock by 10% by 2010 and this has now been met ahead of schedule. In March 2004 the average SAP rating (2001 basis 1-120 scale) was 63.3 and by March 2008 this rating had increased to 73.4 (2007: 71.2). The target for SAP rating (2001 basis 1-120 scale) is 69.6. Using the Revised 2005 SAP calculation (1-100 scale) SHGL rating is currently 67.

At March 2008, the average SAP energy rating of SWHA stock is 70 (2007: 71.7) (using the 2001 basis 1 - 120 scale). Using the Revised 2005 SAP calculation (1 - 100 scale) SWHA rating is currently 65.2.

At March 2008, the energy rating of JBHA stock, measured on a consistent basis with the rest of the Group (2001 basis 1 - 120 scale), is 69 (2007: 67.9). Using the Revised 2005 SAP calculation (1 -100 scale) JBHA rating is currently 64.

Energy efficiency will continue to be improved as part of ongoing planned maintenance and Decent Homes programmes. The target for new developments is an Ecohomes 'Very Good' rating moving to the 'Code for Sustainable Homes level 3 standard' on new grant-funded projects from April 2008.

## Development

In 2007/08, 800 homes were completed. Of these, 548 were part of the Housing Corporation partnering programme which was 28% ahead of target. Housing Corporation spend at £34.9m was 15% ahead of cash planning targets of £30.4m. Work started on 1,029 new homes during the year.

Handovers and Starts by Tenure	2007/08		2006/07	
Tenure	Handovers	Starts	Handovers	Starts
Social Rent	293	443	407	289
Intermediate Rent	68	62	20	50
Shared Ownership	368	474	570	276
Outright Sale	71	50	20	61
<b>Total</b>	<b>800</b>	<b>1,029</b>	<b>1,017</b>	<b>676</b>

# Operating and Financial Review

31 March 2008

## Resources

### Board

The Board is responsible for the business of the Group which includes overseeing and directing the Group's 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 3.

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

Independent members of the Group Board are paid for their services so as to increase the Group's 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

## Committees

### 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 the Group's risk management and internal control arrangements and reviews in detail the annual financial statements.

### Customer Services Committee

Considers the provision of services to SHGL residents.

### Development Committee

Considers matters relating to the development of new properties and stock reinvestment.

### Remuneration and Nomination 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.

### 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 2007 to 31 March 2008. Figures in brackets are the number of meetings a member was eligible to attend.

	Board	Audit	Customer Services	Development	Remuneration & Nomination	Treasury	Group Pension Plan	SHHO	SWHA	JBHA	SHF	SSL
<b>Andrew McIntyre</b> Chairman	4(4)				3(3)	3(3)						
<b>John Argent</b> Deputy Chairman	4(4)			3(3)					4(5)	5(5)		4(4)
<b>Tony Bourne</b>	3(4)					3(3)					2(4)	
<b>John Castelberg</b>	3(4)											4(4)
<b>Tom Dacey</b>	4(4)											4(4)
<b>Peter Goodacre</b>	3(4)				3(3)					4(5)		
<b>Chris Hampson</b>	3(4)		3(3)									
<b>Jim Hitch</b> (Co-opted - March 2007)	4(4)		2(3)									
<b>Jane Hives</b>	4(4)	4(4)		3(3)		3(3)						4(4)
<b>Neville Hudson</b>	4(4)	4(4)		3(3)	3(3)			3(3)				
<b>David Kelly</b> (Co-opted - October 2007)	3(3)		2(2)								4(4)	
<b>Letitia Stenning</b>	4(4)				2(3)		1(2)			3(5)		
<b>Robert Sturgess</b>	4(4)						2(2)		4(5)			
<b>Elisa Vaughan</b> (Resigned - July 2007)	0(1)										1(1)	

## Senior Employees

Day-to-day management is delegated to the Group Chief Executive and the other senior executives who meet regularly and attend Board meetings. This group is known as the Group Strategy Team and members are listed on page 3. Phillippa Caine is the Company Secretary for Southern Housing Group Limited and all its subsidiaries.

## Employees

The Group's staff play a critical role in the success of the business. Recognising this, the Group has implemented a number of initiatives to develop and support them. These are:

- The Group was initially awarded Investors in People accreditation in 1996 and was successfully re-accredited in May 2005.
- Introduction of a new performance management process which includes eight competency sets leading to individual development and training programmes.
- Introduction of a new pay structure, which rewards staff on their performance and achievements over the previous year.
- The Graduate Training Programme is recognised as one of the best in the sector and is resulting in the appointment of a number of successful managers for the Group.
- The Group has implemented a comprehensive Diversity Policy and Action Plan.
- Work is underway to develop a new Learning and Development Strategy and also a new Recruitment Strategy for the Group.
- WorklifePlus, a sector-leading work-life balance initiative that offers a range of options which staff can apply for to suit their individual needs. Options were again increased this year.
- Complete restructure of Housing Management to introduce a mixed-tenure approach and all the associated HR issues including a comprehensive re-training programme.

## Residents

The Group has a team which focuses solely on resident involvement. The team not only leads on strategic resident involvement initiatives but also provides an internal training resource to ensure all staff have the skills to engage with residents, supporting the Group's view that active feedback from residents underpins service improvement.

The Group has primarily channelled its communities work through Southern Housing Foundation. On 27 March 2008, the Trustees agreed to dissolve the Foundation and transfer the work to SHGL. The team will continue to aim to develop projects and access resources that contribute to improving the quality of life for the Group's residents and their surrounding neighbourhoods.

Its main focus is on:

- Supporting the development of young people
- Improving quality of life for older people
- Improving the external environment
- Building the capacity of individuals and communities
- Maximising financial inclusion.

£0.97m was spent on these activities during the year.

## Risks and uncertainties

The Group has a robust risk management framework which is overseen by the Audit Committee and driven by the Group Risk Management Adviser.

Key features of the Group's processes for managing risks and uncertainties are:

### Risk identification and assessment

As the Group's corporate planning processes establish and update the organisation's objectives, the risks that may prevent their achievement are identified. They are assessed to establish the most significant items by reference to both their impact on the organisation and their likelihood of occurrence. This activity is carried out at appropriate levels throughout the Group.

# Operating and Financial Review

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## Managing major risks

The Group identifies the major risks it faces under its four objectives:

Objective	Key risks identified
Growth	Growth will not be achieved primarily as a result of a change in Government policy or a reduced demand for its housing.
Influence	Performance failures in our services to residents either in terms of level of service or cost. These would also impact on the Group's reputation.
Expertise	Failure of the Board and staff to manage the Group.
Assets	Control of costs including interest payments, fraud, change in Government policy on rents and grant recovery, stock condition and a general downturn in the property market.

The Group periodically reviews the major risks that have the capacity to prevent it achieving its corporate objectives. The last such exercise took place in June 2008. Through this process of regular ongoing reviews, those risks which present the greatest threats to the Group are identified and reported to the Board (or Audit Committee) at least twice a year. The Board receives information on actions being taken to manage those key risks and the results of those actions.

## Ensuring the effectiveness of control mechanisms

For those risks which are identified as being the most significant for any part of the Group, the existing control environment is assessed to establish ways in which it can be improved. Areas identified for improvement are followed up until action points are fully addressed. Where a view is formed that the Group cannot exercise full control over a significant risk, (for example due to external influences) then Board and GST will make a decision about the Group's appetite for accepting the risk concerned and act accordingly.

## Financial Position

### Turnover

Turnover has increased in the year by £15.2m (15.2%). Income from Social Housing lettings has increased by £7.1m as a result of inflation and additional units from development. Supporting people contract income is £2.3m. Turnover on outright sales was £14.9m (2007: £5.7m).

### Improvements to housing properties

The SHGL major repairs budget for 2007/08 was £9.045m spend with an outturn of £7.015m including adjustments for leaseholder contributions. The favourable variance of £2.03m was attributable to a combination of very keen tender returns, reduced scope of work on site, one project being deferred pending redevelopment proposals and delays in leasehold consultation on some projects.

The SWHA major repairs budget was £2.152m spend with an outturn of £2.416m.

At JBHA, major repairs expenditure budget was £4.400m with an outturn of £3.165m. The favourable variance of £1.235m was attributable to the outcome of the survey showing a reduction in the amount and cost of work required to achieve the Decent Homes Standard.

### Pension costs

As a result of merger activity in recent years the Group operates a number of pension schemes. In respect of defined benefit schemes the Financial Statements include the pension liability relating to the Southern Housing Group and Isle of Wight Council (SWHA) pension schemes. As a multi-employer scheme the Social Housing Pension Scheme is unable to identify the underlying assets and liabilities belonging to individual participating employers and therefore the cost in the Income and Expenditure Account represents the employer's contribution payable. These schemes are closed to new entrants.

During the year, a payment of £2.494m was made to eliminate the pension liability arising from Isle of Wight Housing Association joining the Group and the resultant cessation of its pension scheme. Also, a provision of £86,000 has been made to cover the pension cost of the dissolution of SHF.

The Southern Housing Group scheme triennial valuation was completed during the year 2006/07 for the three years to March 2006. As a result of additional contributions from the Group and improved investment performance the valuation showed a substantial decrease in the actuarial deficit from the last valuation undertaken in March 2003.

The Group also contributes to a defined contribution scheme and the cost in the Income and Expenditure Account represents the employer's contribution payable.

# Operating and Financial Review

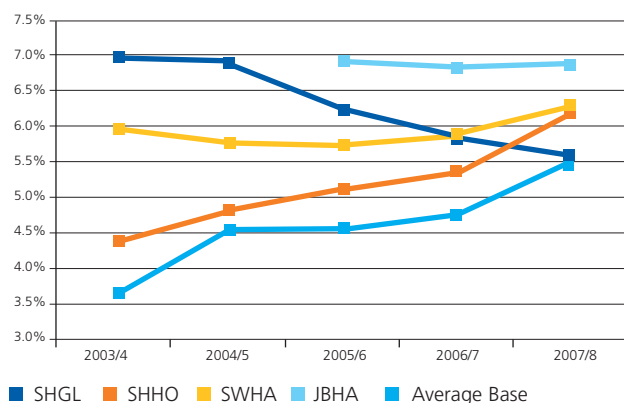
31 March 2008

## Interest

Group interest payable has increased by £0.6m in the year with borrowings increasing by a net £66.2m to fund investment in homes. A decline of £1.1m in the amount of interest capitalised reflects the relatively small growth in interest payable in the year combined with a reduced average cost of funds for capitalisation purposes.

The overall cost of borrowing in SHGL has been further reduced in the year as a result of putting in place additional interest rate hedging combined with the continuing effect of derivatives previously transacted. With SHHO's debt all being on a variable basis the increase in its average interest cost reflected the general upward trend of rates during the year, especially once the impact of the credit crunch significantly increased London Inter-Bank Offered Rate (LIBOR) and the consequential disassociation between LIBOR and Bank of England's base rate. To a lesser extent SWHA's was similarly impacted with its average rate rising with a higher proportion of variable debt; to protect this exposure a further 38.5% of variable debt was hedged for the long term. JBHA's average rate remained relatively consistent as a result of the continuing level high level of its fixed interest loans. Average interest rates are shown below:

## Average Interest Rates



## Surplus on sale of assets

The breakdown of surplus on sale of property assets is set out below. The Group has no control over the number of sales from Shared Ownership, Homebuy, Right to Buy or Right to Acquire as the residents have the statutory right to purchase. Voluntary disposals arise from the Group's asset management strategy. "Other" is primarily the disposal of small parcels of land to utilities etc and includes write-off of assets as a result of component accounting.

Type of disposal	Number of sales	Surplus £000s
Shared Ownership staircasing and Homebuy*	118	8,152
Right to Buy and Right to Acquire	20	911
Voluntary disposals	34	3,758
Open market sales	34	1,110
Other	-	(1,217)
<b>Total</b>	<b>206</b>	<b>12,714</b>

\*In the case of staircasing the number of sales includes only those staircasing to 100%.

## Gift aid

In recent years the Group's policy has been to gift aid surpluses from SHHO at a level to minimise SHHO's Corporation tax liability. In 2007/8 SHHO gift aided £12.472m (2006/7 £9.330m) to SHGL and £Nil (2006/7 £0.925m) to SHF. For the first year, SSL made a surplus and also gift aided £786k to SHGL. This saved £4m in tax (2006/07 £3.05m) which is being invested in housing stock.

## Surplus and Operating margin

The Group made an overall surplus of £18.3m for the year compared to a surplus of £14.7m for the previous year. Within this an operating surplus of £27.6m was achieved compared to a surplus of £25.3m for the previous year.

## Forecasts

In 2008/09 the Group is budgeting for a lower surplus, primarily resulting from higher costs of reinvesting in the condition of its stock, lower volumes and values of property sales and improvements to our operational structures.

## Treasury policies and objectives

The Group has a formal Treasury Management Policy which is regularly reviewed and approved by the Group's Treasury Committee. The purpose and role of the Policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its 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 advisers.

All Group RSLs have approval from the Housing Corporation to adopt the new 'wider' rules for treasury management and these have been, or are in the process of being, incorporated into the Rules of each association, which increases the options available to manage interest rate risk. Three stand-alone derivatives have been transacted by SHGL with a notional principal of £75m hedged; only £20m of the hedging has impacted on the 2007/08 results. Derivatives will not be used for speculative purposes or in such a way that an additional exposure to market forces is created.

## Capital structure

**SHGL:** current policy is to raise new funds through bilateral arrangements with major lenders to the sector. The aim is to have in place facilities with a number of core lenders balancing the risk of a lender withdrawing from the sector with the cost of managing a large number of relationships. The strength of this policy has been highlighted as lenders have endeavoured to support funding requirements despite the significantly curtailed liquidity in the post-credit-crunch lending environment. During the year a £55m increase to an existing facility was completed with the Nationwide Building Society. Negotiations are in progress for new borrowings with existing lenders.

**SHHO:** as previously, with most new development for the Group taking place in SHGL, SHHO continues to have limited demand for new facilities and no further facilities were required in the year.

**SWHA:** there was no change to its loan portfolio during the year.

**JBHA:** there was no change to its overall debt portfolio, except for scheduled capital repayments. However, following Bradford & Bingley's (B&B) sale of its social housing loan book, £27m of JBHA's debt with B&B was novated to Dexia Public Finance Bank – an existing lender to SHGL. The terms and conditions on the debt novated remain unaltered.

**SSL:** during the year, the three-year revolving development loan facility of £15m with Allied Irish Bank was extended for one year on its anniversary. This facility continues to be extendable for a further year on each anniversary at the bank's discretion and the amount can be increased up to £30m.

# Operating and Financial Review

31 March 2008

Borrowings are in summary:

	31 March 2008		31 March 2007	
	Available facility £m	Drawn £m	Available facility £m	Drawn £m
<b>SHGL</b>				
Capital Markets	38.0	38.0	38.4	38.4
Bilateral	417.4	316.7	364.7	248.7
Total in place	455.4	354.7	403.1	287.1
Under finalisation / negotiation	160.0		55.0	
<b>SHHO</b>				
Total in place (all bilateral)	40.0	24.8	40.0	24.8
<b>SWHA</b>				
Capital Markets	1.2	1.2	1.3	1.3
Bilateral	46.0	46.0	46.0	46.0
Total in place	47.2	47.2	47.3	47.3
<b>JBHA</b>				
Capital Markets	9.6	9.6	9.6	9.6
Bilateral	50.7	49.7	52.0	51.0
Total in place	60.3	59.3	61.6	60.6
<b>SSL</b>				
Total in place (all bilateral)	15.0	1.3	15.0	Nil

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

Funding profile:

	31 March 2008			31 March 2007		
	Fixed rate £m	Variable rate £m	Index linked £m	Fixed rate £m	Variable rate £m	Index linked £m
SHGL	158.9	172.7	23.1	111.5	162.5	13.1
SHHO	nil	24.8	nil	nil	24.8	nil
SWHA	31.2	16.0	nil	24.3	23.0	nil
JBHA	48.0	11.3	nil	51.7	8.9	nil
SSL	nil	1.3	nil	nil	nil	nil

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. £10m of cancellable transactions were in place at 31 March 2008 with bank option dates exercisable within 12 months.

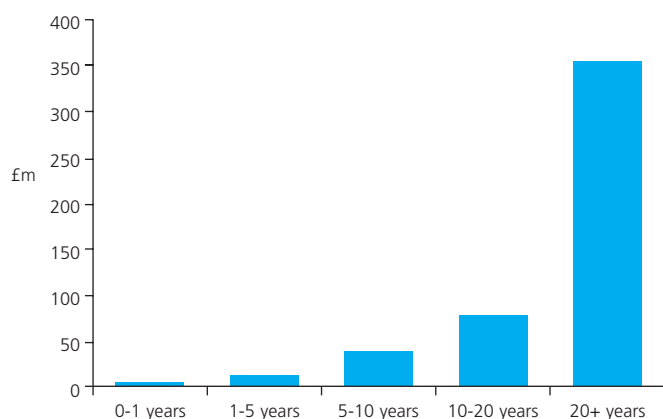
# Operating and Financial Review

31 March 2008

## Debt maturity

The profile of debt repayment as at 31 March 2008 for the Group is:

Group Maturity Profile at 31 March 2008



## Cashflows

During the year net cash of £34.5m was derived from operating activities and £67.5m was received from the disposal of housing properties. As a developing Group there were significant cashflows from new development with spend of £156.4m before receipt of grant of £38.4m. Loans of £4m were repaid in the year and a total of £70m was drawn from loan facilities.

## Liquidity

The Group 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. The Group maintains a list of investment limits for authorised organisations with which it will place deposits based on short-term credit ratings.

## Loan covenants

Each association in the Group sets loan covenants with its lenders based on the circumstances of the association. For SHGL and SHHO 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. The Group continues to work towards including surpluses from sale in all interest cover covenants.

### Net income cover covenants:

	2008 range	2007 range
SHGL income covenants actuals	0.80-1.15 2.29-2.60	0.90-1.15 1.90-2.33
SHHO income covenants actuals	1.00-1.15 5.25-5.34	1.00-1.150 5.68-5.72
SWHA income covenants actuals	1.02-1.15 1.94 (no range)	1.00-1.15 1.52 (no range)
JBHA income covenants actuals	1.10-2.00 2.50-4.55	1.10-2.00 1.88-4.31

# Operating and Financial Review

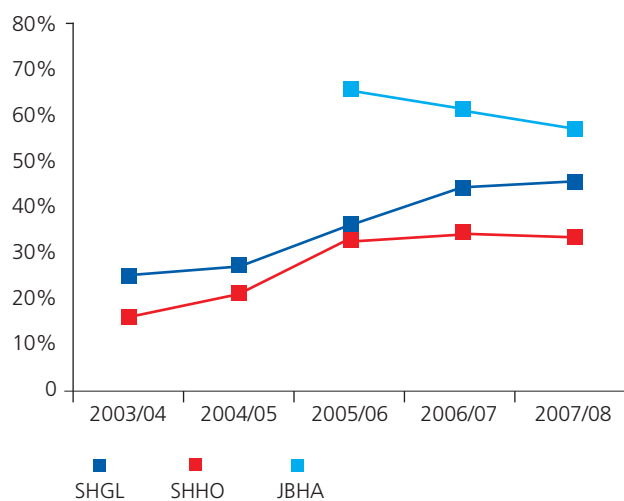
31 March 2008

SHGL gearing ratio covenants are set from 60% to a maximum of 75%. SHHO gearing ratio covenants are set from 60% to a maximum of 65%. The level of gearing is influenced by the increased development of low-cost home ownership properties and the lower average percentage of first tranche sales. JBHA gearing ratio covenants are set from 70% to a maximum of 75%. Actuals at 31 March 2008 are shown below:

## Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the 2005 updated SORP, Accounting for Registered Social Landlords.

### Gearings Ratios



# Report of the Board

For the year ended 31 March 2008

## Statement of responsibilities of the Board

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 2002, 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 the Group's 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.

The Group operates 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 2008 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

The Group's objectives are contained within its Business Philosophy. 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.

# Report of the Board

## For the year ended 31 March 2008

### Main policies established to provide effective internal control

#### 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; and
- 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 their sub-committees receive regular and extensive reports on all key areas of performance.

#### Monitoring

The Group has a comprehensive internal audit programme which is undertaken by Grant Thornton UK LLP (formerly RSM Robson Rhodes 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 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 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, thereby improving the Group'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 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 reappointment of KPMG LLP as auditors of the Association.

### Andrew McIntyre

Chairman

On behalf of the Board

7 July 2008

# Auditors' Report

For the year ended 31 March 2008

## Report of the independent auditors to the members of Southern Housing Group Limited

We have audited the Group and Parent financial statements of Southern Housing Group Limited for the year ended 31 March 2008 which comprise the Group and Association Income and Expenditure Account, the Group and Association Balance Sheet, the Consolidated Cash Flow Statement, the Statement of total recognised surplus and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

## Respective responsibilities of the Board and auditors

The responsibility of the association's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on page 19.

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 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 Group's and 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 Group and Association as at 31 March 2008 and of the Group's surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial & Provident Societies Acts 1965 to 2002 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.

## KPMG LLP

Chartered Accountants  
Registered Auditor

# Income and Expenditure Accounts

For the year ended 31 March 2008

	Note	<b>Group</b> <b>2008</b>	Group 2007	<b>Association</b> <b>2008</b>	Association 2007
		<b>£000s</b>	£000s	<b>£000s</b>	£000s
<b>Turnover</b>	2	<b>115,264</b>	100,057	<b>79,501</b>	69,911
Operating costs	2	<b>(87,705)</b>	(74,751)	<b>(50,748)</b>	(47,291)
<b>Operating surplus</b>		<b>27,559</b>	25,306	<b>28,753</b>	22,620
Surplus/(deficit) on sale of fixed assets	5	<b>10,578</b>	8,483	<b>166</b>	(540)
Interest receivable and other income	6	<b>1,618</b>	581	<b>1,010</b>	463
Interest payable and other similar charges	7	<b>(21,293)</b>	(19,593)	<b>(14,811)</b>	(11,430)
Other finance costs	8	<b>(171)</b>	(71)	-	-
<b>Surplus on ordinary activities for the year</b>	9	<b>18,291</b>	14,706	<b>15,118</b>	11,113
Tax on surplus on ordinary activities	10	<b>(1)</b>	(26)	-	-
<b>Surplus for the year</b>		<b>18,290</b>	14,680	<b>15,118</b>	11,113

All turnover and operating costs for the current and prior years are attributable to continuing operations.

The notes on pages 26 to 54 form part of these financial statements.

## Statement of total recognised surplus and deficits

	Note	<b>Group</b> <b>2008</b>	Group 2007	<b>Association</b> <b>2008</b>	Association 2007
		<b>£000s</b>	£000s	<b>£000s</b>	£000s
Surplus for year		<b>18,290</b>	14,680	<b>15,118</b>	11,113
Unrealised (deficit)/surplus on investments	25	<b>(214)</b>	243	<b>(214)</b>	243
Actuarial deficit relating to pension schemes	4	<b>(447)</b>	(1,631)	-	-
<b>Total recognised surplus since last report</b>		<b>17,599</b>	13,292	<b>14,904</b>	11,356

# Balance Sheets

As at 31 March 2008

	Note	Group 2008 £000s	Group 2007 £000s	Association 2008 £000s	Association 2007 £000s
<b>Tangible fixed assets</b>					
Housing properties at cost less depreciation	11	1,251,659	1,158,683	1,006,735	903,185
Less: Social Housing Grant and other grants	11	(620,472)	(582,044)	(551,019)	(512,387)
Net housing properties		631,187	576,639	455,716	390,798
Other tangible fixed assets	12	37,119	33,953	30,843	28,141
Total tangible fixed assets		668,306	610,592	486,559	418,939
<b>Investments</b>					
Investments at market value	13	3,792	3,451	3,817	3,476
Investment in subsidiaries	13	-	-	4,336	7,678
Homebuy and starter home initiatives	13	10,860	11,860	-	-
Less: Social Housing Grant	13	(10,178)	(11,680)	-	-
		672,780	614,223	494,712	430,093
<b>Current assets</b>					
Properties for sale	14	6,906	12,652	-	-
Debtors	15	24,086	12,006	20,322	11,797
Cash at bank and in hand	16	24,683	23,684	2,312	11,262
		55,675	48,342	22,634	23,059
<b>Creditors: Amounts falling due within one year</b>	17	(52,986)	(44,403)	(36,213)	(29,698)
<b>Net Current Assets/(Liabilities)</b>		2,689	3,939	(13,579)	(6,639)
<b>Total Assets Less Current Liabilities</b>		675,469	618,162	481,133	423,454
<b>Creditors: Amounts falling due after more than one year</b>					
Housing loans	18	467,808	428,674	326,455	284,312
Recycled capital grant fund	19	7,351	7,627	235	308
Disposal proceeds fund	20	2,980	2,108	2,980	1,926
Deferred income	21	2,492	2,672	1,688	1,992
<b>Provisions for liabilities and charges</b>	22	438	493	338	389
<b>Net pension liability</b>	4	7,765	7,362	-	-
<b>Capital and Reserves</b>					
Share capital	23	-	-	-	-
Revenue reserves	24	167,605	149,796	147,417	132,299
Revaluation reserves	25	1,840	2,054	1,840	2,054
Designated and restricted reserves	26	1,048	1,035	180	174
Negative goodwill	27	16,142	16,341	-	-
		675,469	618,162	481,133	423,454

The notes on pages 26 to 54 form part of these financial statements. These financial statements were approved by the Board on 7 July 2008.

## 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 2008

	Note	2008	2007
		£000s	£000s
<b>Net cash inflow from operating activities</b>	(a)	<b>34,504</b>	30,943
<b>Interest received</b>		<b>1,618</b>	581
Interest paid		<b>(23,366)</b>	(21,666)
Other finance costs		<b>(171)</b>	(71)
<b>Returns on investments and servicing of finance</b>		<b>(21,919)</b>	(21,156)
Housing properties purchased		<b>(156,406)</b>	(134,107)
Capital grants received		<b>38,428</b>	30,595
Other fixed assets purchased		<b>(4,949)</b>	(8,128)
Housing and other fixed asset sale receipts		<b>67,455</b>	49,866
<b>Capital expenditure</b>		<b>(55,472)</b>	(61,774)
Investment (purchase)/sale receipts		<b>(555)</b>	181
<b>Financial investment</b>		<b>(555)</b>	181
<b>Net cash outflow before management of liquid resources and financing</b>	(b)	<b>(43,442)</b>	(51,806)
<b>Financing and management of liquid resources</b>			
Charged Funds	(c)	<b>(25,145)</b>	-
Debt due within one year	(c)	<b>4,891</b>	911
Debt due after one year	(c)	<b>64,695</b>	66,830
		<b>44,441</b>	67,741
<b>Increase in cash in the year</b>	(c)	<b>999</b>	15,935

# Notes to the Consolidated Cash Flow Statement

For the year ended 31 March 2008

	<b>2008</b>	2007
	<b>£000s</b>	£000s
<b>a) Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	<b>27,559</b>	25,306
Depreciation charges	<b>9,806</b>	8,063
Depreciation recovered	<b>(1,255)</b>	(536)
Decrease/(Increase) in stock of homes for re-sale	<b>6,027</b>	(3,337)
Increase in debtors	<b>(12,080)</b>	(2,287)
Increase in creditors	<b>4,701</b>	4,099
Decrease in provisions for liabilities and charges	<b>(55)</b>	(172)
Amortisation of negative goodwill	<b>(199)</b>	(193)
<b>Net cash inflow from operating activities</b>	<b>34,504</b>	30,943

## b) Reconciliation of net cash flow to movement in net debt

Increase in cash in the year	<b>999</b>	15,935
Increase in charged funds in the year	<b>25,145</b>	-
Cash inflow from decrease/(increase) in:		
New loans	<b>(69,654)</b>	(75,950)
Bank overdraft	<b>(3,487)</b>	-
Loan repayments	<b>3,971</b>	11,648
Disposal proceeds fund	<b>(872)</b>	(1,083)
Recycled capital grant fund	<b>276</b>	(1,682)
Deferred income	<b>180</b>	(674)
Movement in net debt in the year	<b>(43,442)</b>	(51,806)
Net debt arising on merger/transfer	-	(69,493)
Net debt at the start of the year	<b>(421,612)</b>	(300,313)
Net debt at the end of the year	<b>(465,054)</b>	(421,612)

## c) Analysis of net debt

	At 1 April 2007	Cash flow	At 31 March 2008
	£000s	£000s	£000s
Cash at bank and in hand	23,684	999	<b>24,683</b>
Charged funds	-	25,145	<b>25,145</b>
Debt due within one year:			
Bank overdraft	-	(3,487)	<b>(3,487)</b>
Housing loans	(4,215)	(1,404)	<b>(5,619)</b>
Debt due after more than one year:			
Housing loans	(428,674)	(64,279)	<b>(492,953)</b>
Disposal proceeds fund	(2,108)	(872)	<b>(2,980)</b>
Recycled capital grant fund	(7,627)	276	<b>(7,351)</b>
Deferred income	(2,672)	180	<b>(2,492)</b>
	(441,081)	(64,695)	<b>(505,776)</b>
<b>Total</b>	(421,612)	(43,442)	<b>(465,054)</b>

# Notes to the Financial Statements

For the year ended 31 March 2008

## 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 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 Housing Home Ownership Limited, South Wight Housing Association Limited, James Butcher Housing Association Limited, Southern Housing Foundation, 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. The Southern Housing Foundation is a charitable foundation limited by guarantee and is deemed to be a subsidiary as the Parent Body has ultimate control over Board membership.

### 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 Housing Corporation and other public authorities. It also includes 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. Completed shared ownership properties are stated net of first tranche sales proceeds and are not depreciated. 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.

### 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.

# Notes to the Financial Statements

For the year ended 31 March 2008

## Social housing grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has 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

SHHO 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 to SHF 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 surpluses of the Parent Body, SWHA, JBHA and SHF as they have charitable status. Taxation is chargeable on the surpluses of SHHO 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 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.

# Notes to the Financial Statements

For the year ended 31 March 2008

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

Group	2008		
	Turnover £000s	Operating Costs £000s	Operating Surplus £000s
<b>Social housing lettings</b>	96,300	(64,208)	32,092
<b>Other social housing activities</b>	338	(4,980)	(4,642)
<b>Supporting people contract income</b>	2,296	(2,277)	19
<b>Non-social housing activities</b>			
Commercial income	1,039	(438)	601
Market renting lettings	240	(93)	147
Open Market Sales	14,870	(11,946)	2,924
Other	181	(1,269)	(1,088)
<b>Settlement of IWHA pension liability</b>	-	(2,494)	(2,494)
<b>Total 2008</b>	<b>115,264</b>	<b>(87,705)</b>	<b>27,559</b>
<b>Total 2007</b>	<b>100,057</b>	<b>(74,751)</b>	<b>25,306</b>

### Particulars of Income and Expenditure from Social Housing Lettings

Group	General needs	Housing for	Supported	Registered	Intermediate	Shared	2008 Total £000s	2007 Total £000s
	£000s	Older People £000s	Housing £000s	care homes £000s	Rent £000s	ownership £000s		
Rent receivable net of identifiable service charges	63,996	8,480	634	-	427	7,185	<b>80,722</b>	74,745
Charges for Support Services	-	1,206	215	65	-	-	<b>1,486</b>	1,055
Service charges receivable	4,611	3,621	282	468	54	902	<b>9,938</b>	9,529
<b>Gross rental income</b>	<b>68,607</b>	<b>13,307</b>	<b>1,131</b>	<b>533</b>	<b>481</b>	<b>8,087</b>	<b>92,146</b>	85,329
Add: Income from properties managed for third parties	4,010	-	-	-	-	96	<b>4,106</b>	3,892
Revenue grants received for major repairs	35	-	13	-	-	-	<b>48</b>	20
<b>Turnover from social housing lettings</b>	<b>72,652</b>	<b>13,307</b>	<b>1,144</b>	<b>533</b>	<b>481</b>	<b>8,183</b>	<b>96,300</b>	89,241
Services	(6,371)	(3,643)	(293)	(530)	(33)	(920)	<b>(11,790)</b>	(13,040)
Support	-	(1,230)	(245)	(57)	-	-	<b>(1,532)</b>	(698)
Management	(14,627)	(3,674)	(89)	(27)	(52)	(2,190)	<b>(20,659)</b>	(12,044)
Rent losses from bad debts	(735)	(49)	(10)	(1)	(15)	(19)	<b>(829)</b>	(819)
Routine maintenance	(11,148)	(1,770)	(164)	(12)	(30)	(58)	<b>(13,182)</b>	(21,845)
Planned maintenance	(6,757)	(1,791)	(68)	(56)	-	(1)	<b>(8,673)</b>	(1,063)
Major repairs expenditure	(10,747)	(1,277)	(176)	(2)	-	-	<b>(12,202)</b>	(12,145)
Repairs capitalised	11,477	1,283	47	4	-	-	<b>12,811</b>	9,473
Depreciation of housing properties	(7,070)	(791)	(56)	(3)	(80)	-	<b>(8,000)</b>	(7,140)
Other costs	138	35	(196)	5	(1)	(133)	<b>(152)</b>	(963)
<b>Operating costs on social housing lettings</b>	<b>(45,840)</b>	<b>(12,907)</b>	<b>(1,250)</b>	<b>(679)</b>	<b>(211)</b>	<b>(3,321)</b>	<b>(64,208)</b>	(60,284)
<b>Operating surplus on social housing lettings</b>	<b>26,812</b>	<b>400</b>	<b>(106)</b>	<b>(146)</b>	<b>270</b>	<b>4,862</b>	<b>32,092</b>	28,957
<b>Void Losses</b>	<b>1,086</b>	<b>563</b>	<b>5</b>	<b>-</b>	<b>41</b>	<b>4</b>	<b>1,699</b>	1,571

# Notes to the Financial Statements

For the year ended 31 March 2008

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

Association	2008		
	Turnover £000s	Operating costs £000s	Operating Surplus £000s
<b>Social housing lettings</b>	62,100	(45,977)	16,123
<b>Other social housing activities</b>	16,298	(4,298)	12,000
<b>Supporting people contract income</b>	101	(98)	3
<b>Non-social housing activities</b>			
Commercial income	968	(375)	593
Market renting lettings	34	-	34
<b>Total 2008</b>	<b>79,501</b>	<b>(50,748)</b>	<b>28,753</b>
<b>Total 2007</b>	<b>69,911</b>	<b>(47,291)</b>	<b>22,620</b>

### Particulars of Income and Expenditure from Social Housing Lettings

Association						2008	2007
	General needs £000s	Housing for Older People £000s	Supported Housing £000s	Intermediate Rent £000s	Shared Ownership £000s	Total £000s	Total £000s
Rent receivable net of identifiable service charges	46,550	3,707	108	235	2,088	<b>52,688</b>	48,052
Charges for Support Services	-	334	12	-	-	<b>346</b>	405
Service charges receivable	3,496	1,267	13	18	200	<b>4,994</b>	4,335
<b>Gross rental income</b>	<b>50,046</b>	<b>5,308</b>	<b>133</b>	<b>253</b>	<b>2,288</b>	<b>58,028</b>	52,792
Add: Income from properties managed for third parties	3,976	-	-	-	96	<b>4,072</b>	3,892
<b>Turnover from social housing lettings</b>	<b>54,022</b>	<b>5,308</b>	<b>133</b>	<b>253</b>	<b>2,384</b>	<b>62,100</b>	56,684
Services	(5,157)	(1,339)	(26)	(8)	(162)	<b>(6,692)</b>	(8,886)
Support	-	(324)	(27)	-	-	<b>(351)</b>	-
Management	(14,984)	(2,133)	(64)	(30)	(1,093)	<b>(18,304)</b>	(6,929)
Rent losses from bad debts	(569)	(29)	(3)	-	-	<b>(601)</b>	(550)
Routine maintenance	(8,477)	(873)	(36)	(13)	(55)	<b>(9,454)</b>	(17,056)
Planned maintenance	(4,860)	(977)	(6)	-	(1)	<b>(5,844)</b>	(252)
Major repairs expenditure	(7,038)	(145)	(5)	-	-	<b>(7,188)</b>	(8,969)
Repairs capitalised	8,005	145	5	-	-	<b>8,155</b>	7,086
Depreciation of housing properties	(5,237)	(434)	(27)	-	-	<b>(5,698)</b>	(4,949)
Other costs	-	-	-	-	-	-	(723)
<b>Operating costs on social housing lettings</b>	<b>(38,317)</b>	<b>(6,109)</b>	<b>(189)</b>	<b>(51)</b>	<b>(1,311)</b>	<b>(45,977)</b>	(41,228)
<b>Operating surplus on social housing lettings</b>	<b>15,705</b>	<b>(801)</b>	<b>(56)</b>	<b>202</b>	<b>1,073</b>	<b>16,123</b>	15,456
<b>Void Losses</b>	<b>992</b>	<b>146</b>	<b>5</b>	<b>12</b>	<b>-</b>	<b>1,155</b>	824

# Notes to the Financial Statements

For the year ended 31 March 2008

## 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:

<b>Group</b>	<b>2008</b>	2007
	<b>£s</b>	£s
Total emoluments to directors and former directors (including salaries, fees, pension contributions and other benefits)		
Non-executive	<b>79,565</b>	81,084
Executive	<b>933,695</b>	707,402
	<b>1,013,260</b>	788,486

The emoluments (excluding pension contributions) payable to the Group Chief Executive were £173,918 (2007: £161,510). The Group Chief Executive is an ordinary member of the Group pension scheme, and no enhanced or special terms apply. The emoluments (excluding pension contributions, but including £96,131 compensation for loss of office) of the highest paid director in 2008 was £185,624 (2007: £161,510).

One Board member waived entitlement to remuneration.

## 4 Employee information

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>No.</b>	No.	<b>No.</b>	No.
Average number of full-time equivalent employees	<b>755</b>	739	<b>461</b>	397
	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Staff costs (for the above employees)				
Wages and salaries	<b>19,196</b>	17,958	<b>13,419</b>	11,544
Social security costs	<b>1,729</b>	1,575	<b>1,277</b>	1,098
Other pension costs	<b>1,582</b>	1,539	<b>1,095</b>	1,039
	<b>22,507</b>	21,072	<b>15,791</b>	13,681

### Pension schemes

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

#### a) Defined benefit schemes

SHGL, SHHO and the Foundation 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.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

<b>Balance sheet presentation of all schemes</b>	<b>2008</b>	2007
	<b>£000s</b>	£000s
Total reserves excluding pension liability	<b>178,257</b>	160,247
Pension liability	<b>(7,765)</b>	(7,362)
Total reserves including pension liability	<b>170,492</b>	152,885

### 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 2008 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%	(2006/07: 21.7%)
Post July 1992 members	20.3%	(2006/07: 15.7%)

plus an additional annual payment of £208,584

The major assumptions used in this valuation were:

<b>Actuarial assumptions</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>% pa</b>	<b>% pa</b>	<b>% pa</b>
Rate of increase in salaries	4.50	4.00	3.75
Rate of increase in pensions in payments and deferred pensions	3.50	3.00	2.75
Discount rate	6.00	5.25	5.50
Inflation assumption	3.50	3.00	2.75

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.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 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>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Equities	9,837	10,752	9,362
Bonds	5,935	5,861	5,539
Property	848	869	709
Cash	339	235	369
Total market value of assets	16,959	17,717	15,979
Present value of scheme liabilities	(23,014)	(23,029)	(19,552)
Deficit in the scheme	(6,055)	(5,312)	(3,573)
Net pension liability	(6,055)	(5,312)	(3,573)

	<b>Long term rate</b>	<b>Long term rate</b>	<b>Long term rate</b>
	<b>of return</b>	<b>of return</b>	<b>of return</b>
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equities	6.50	6.50	6.50
Bonds	5.25	5.25	5.00
Property	6.00	6.00	6.00
Cash	4.00	4.00	4.00

<b>Movement in deficit during year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Deficit in scheme at the beginning of year	(5,312)	(3,573)	(4,442)
Current service cost	(688)	(677)	(633)
Contributions paid	844	979	992
Other financial expense	(134)	(20)	(126)
Actuarial (loss)/gain	(765)	(2,021)	636
Deficit in the scheme at end of year	(6,055)	(5,312)	(3,573)

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

### Analysis of other pension costs charged in arriving at operating surplus

	2008	2007	2006
	£000s	£000s	£000s
Current service cost	(688)	(677)	(633)

### Analysis of amounts included in other finance income/expense

	2008	2007	2006
	£000s	£000s	£000s
Expected return on pension scheme assets	1,083	973	819
Interest on plan liabilities	(1,217)	(993)	(945)
	<b>(134)</b>	<b>(20)</b>	<b>(126)</b>

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

	2008	2007	2006
	£000s	£000s	£000s
Actual return less expected return on assets	(2,305)	(166)	1,887
Experience gains arising on scheme liabilities	(85)	40	804
Changes in assumptions underlying the present value of scheme liabilities	1,625	(1,895)	(2,055)
Actuarial (losses)/gain recognised in statement of total recognised surpluses and deficits	<b>(765)</b>	<b>(2,021)</b>	<b>636</b>

### History of experience gains and losses

	2008	2007	2006
	£000s	£000s	£000s
Difference between the expected and actual return on scheme assets:			
Amount	(2,305)	(166)	1,887
Percentage of year end scheme assets	(0.9%)	(0.9%)	11.8%
Experience gains arising on scheme liabilities			
Amount	(85)	40	804
Percentage of present value of year end scheme liabilities	(0.4%)	0.2%	4.1%
Actuarial (losses)/gain recognised in statement of total recognised gains and losses			
Amount	<b>(765)</b>	<b>(2,021)</b>	<b>636</b>
Percentage of present value of year end scheme liabilities	<b>(3.3%)</b>	<b>(8.8%)</b>	<b>3.3%</b>

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

### 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 three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at an individual employer level.

At the balance sheet date, there were 47 active members in JBHA and 45 in SWHA. The annual pensionable payroll in respect of these members was JBHA £829,000 and SWHA £889,000.

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 the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable at 17.1% of the pensionable payroll.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £283 million, equivalent to a past service funding level of 82%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the

financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

- Investment return pre retirement 7.2% pa
- Investment return post retirement 4.8% pa
- Rate of salary increases to 30 September 2010 5.0% pa
- Rate of salary increases from 1 October 2010 4.0% pa
- Rate of pension increases 2.5% pa
- Rate of price inflation 2.5% pa

The valuation was carried out using the PA92C2025 mortality table for non-pensions and PA92C2013 mortality table for pensions. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

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

Benefit structure contribution	Long-term joint rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.6
Final salary with a 1/70th accrual rate	15.3
Career average revalued earnings with a 1/60th accrual rate	14.1

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 £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

With effect from 1 April 2007 the employer contribution rates for both JBHA and SWHA will be 17.1% and the employee contribution rates will be 6.4% to 8.4%, both of pensionable salaries. This includes an employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the

past service deficit by 30 September 2020. The Pensions Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

### 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 2004 and was updated for FRS 17 purposes to 31 March 2008 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 18.7% of pensionable pay plus an additional annual payment of £102,800 will apply for 2008/09 (2007/08: 15% plus £103,800).

The major assumptions used in this valuation were:

<b>Actuarial assumptions</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>% pa</b>	<b>% pa</b>	<b>% pa</b>
Rate of increase in salaries	5.10	4.70	4.60
Rate of increase in pensions in payments and deferred pensions	3.60	3.20	3.10
Discount rate	6.90	5.40	4.90
Inflation assumption	3.60	3.20	3.10

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Equities	2,427	3,062	2,751
Bonds	561	467	459
Property	225	309	346
Other	153	111	150
Total market value of assets	3,336	3,949	3,706
Present value of scheme liabilities	(5,076)	(5,999)	(6,174)
Deficit in the scheme	(1,710)	(2,050)	(2,468)
Net pension liability	<b>(1,710)</b>	<b>(2,050)</b>	<b>(2,468)</b>

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

### The Isle of Wight Council Pension Scheme (continued)

Long-term rate of return	2008	2007	2006
	%	%	%
Equities	7.70	7.80	7.40
Bonds	5.70	4.90	4.60
Property	5.70	5.80	5.50
Cash	4.80	4.90	4.60

The market value of the scheme's assets (whole Fund) at 31 March 2004 was £166.4 million.

Movement in deficit during year	2008	2007	2006
	£000s	£000s	£000s
Deficit in scheme at beginning of year	(2,050)	(2,468)	(2,367)
Current service cost	(48)	(54)	(46)
Contributions paid	137	133	119
Other finance expense	(37)	(51)	(77)
Actuarial gain/(loss)	288	390	(97)
Deficit in the scheme at end of year	(1,710)	(2,050)	(2,468)

### Analysis of other pension costs charged in arriving at operating surplus

	2008	2007	2006
	£000s	£000s	£000s
Current service cost	48	54	46
Total charged to operating cost	48	54	46

### Analysis of amounts included in other finance income/expense

	2008	2007	2006
	£000s	£000s	£000s
Expected return on pension scheme assets	283	249	209
Interest on plan liabilities	(320)	(300)	(286)
	(37)	(51)	(77)

# Notes to the Financial Statements

For the year ended 31 March 2008

## 4 Employee information (continued)

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Actual return less expected return on assets	(404)	39	562
Experience gains/(losses) arising on scheme liabilities	(13)	1	(1)
Changes in assumptions underlying the present value of scheme liabilities	705	350	(658)
Actuarial gain/(losses) recognised in statement of total recognised surpluses and deficits	<u>288</u>	<u>390</u>	<u>(97)</u>

### History of experience gains and losses

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Difference between the expected and actual return on scheme assets:			
Amount	(404)	39	562
Percentage of year end scheme assets	(12.0%)	1.0%	15.2%
Experience gains/(losses) arising on scheme liabilities			
Amount	(13)	1	(1)
Percentage of present value of year end scheme liabilities	0.3%	(0.0%)	0.0%
Actuarial gain/(losses) recognised in statement of total recognised surpluses and deficits			
Amount	288	390	(97)
Percentage of present value of year end scheme liabilities	(5.7%)	(6.5%)	1.6%

## 5 Surplus/(deficit) on sale of fixed assets

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Sale proceeds	<b>25,801</b>	17,827	<b>8,486</b>	4,297
Cost of sales	<b>(12,094)</b>	(7,340)	<b>(6,734)</b>	(2,903)
Component write off	<b>(3,014)</b>	(1,897)	<b>(1,529)</b>	(1,897)
Incidental sale expenses	<b>(115)</b>	(107)	<b>(57)</b>	(37)
	<u><b>10,578</b></u>	<u>8,483</u>	<u><b>166</b></u>	<u>(540)</u>

# Notes to the Financial Statements

For the year ended 31 March 2008

## 6 Interest receivable and other income

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Income from investments	<b>125</b>	180	<b>542</b>	383
Income from bank deposits	<b>1,493</b>	401	<b>468</b>	80
	<b>1,618</b>	581	<b>1,010</b>	463

## 7 Interest payable and similar charges

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
On bank loans, overdraft and other loans:				
Repayable wholly or partly in more than 5 years	<b>25,577</b>	24,532	<b>18,306</b>	15,813
Less: interest payable capitalised	<b>(4,348)</b>	(5,432)	<b>(3,535)</b>	(4,414)
Bank charges payable	<b>78</b>	515	-	-
	<b>21,307</b>	19,615	<b>14,771</b>	11,399
Deferred interest and indexation				
Index-linked loan	<b>118</b>	102	<b>118</b>	102
Stepped interest loans	<b>5</b>	12	<b>5</b>	12
Deferred income written back	<b>(137)</b>	(136)	<b>(83)</b>	(83)
	<b>21,293</b>	19,593	<b>14,811</b>	11,430

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

## 8 Other finance costs

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
<b>Group Pension scheme</b>				
Expected return on pension scheme assets	<b>1,083</b>	973	-	-
Interest on pension scheme liabilities	<b>(1,217)</b>	(993)	-	-
<b>Isle of Wight Council Pension scheme</b>				
Expected return on pension scheme assets	-	249	-	-
Interest on pension scheme liabilities	<b>(37)</b>	(300)	-	-
	<b>(171)</b>	(71)	-	-

# Notes to the Financial Statements

For the year ended 31 March 2008

## 9 Surplus on ordinary activities for the year before tax

	<b>Group</b> <b>2008</b> <b>£000s</b>	Group 2007 £000s	<b>Association</b> <b>2008</b> <b>£000s</b>	Association 2007 £000s
Surplus on ordinary activities before tax for the year is stated after charging/(crediting)				
Depreciation:				
Housing land and buildings	<b>8,058</b>	6,740	<b>5,698</b>	4,949
Other tangible fixed assets	<b>1,748</b>	1,323	<b>1,220</b>	789
Depreciation recovered on disposal of fixed assets	<b>(1,255)</b>	(536)	<b>(885)</b>	(143)
Amortisation of negative goodwill	<b>(199)</b>	(193)	-	-
Operating leases:				
Housing land and buildings	<b>87</b>	-	-	-
Other equipment	<b>7</b>	-	-	-
Auditors' remuneration (including VAT and expenses):				
Audit services	<b>142</b>	168	<b>61</b>	91
Tax services	<b>40</b>	38	<b>35</b>	36

## 10 Taxation

	<b>Group</b> <b>2008</b> <b>£000s</b>	Group 2007 £000s	<b>Association</b> <b>2008</b> <b>£000s</b>	Association 2007 £000s
UK Corporation tax				
Current tax at 30% (2007: 30%)	<b>1</b>	26	-	-

The current tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK (30% (2007: 30%)). The differences are explained below.

### Current tax reconciliation

Surplus on ordinary activities before tax	<b>18,291</b>	14,706	<b>15,118</b>	11,113
less surplus from charitable activities	<b>(17,426)</b>	(14,680)	<b>(15,118)</b>	(11,113)
Taxable surplus/(deficit) on ordinary activities	<b>865</b>	26	-	-
Current tax at 30% (2007: 30%)	<b>259</b>	8	-	-
Effects of:				
Expenses not deductible for tax purposes	<b>2</b>	9	-	-
Indexation allowances in period	<b>(172)</b>	-	-	-
Utilisation of tax losses	<b>(88)</b>	-	-	-
Depreciation in excess of capital allowances	-	9	-	-
Total current tax charge (see above)	<b>1</b>	26	-	-

# Notes to the Financial Statements

For the year ended 31 March 2008

## 11 Tangible fixed assets: housing properties

<b>Group</b>	Housing Properties held for Letting	Housing Properties for Letting under construction	Shared Ownership Housing Properties	Shared Ownership Housing Properties under construction	<b>Total</b>
	£000s	£000s	£000s	£000s	<b>£000s</b>
<b>Cost</b>					
At 1 April 2007	885,924	94,024	151,751	48,211	<b>1,179,910</b>
Transfer to other fixed assets	-	(485)	-	-	<b>(485)</b>
Schemes completed	44,632	(44,632)	42,800	(42,800)	-
Additions : New properties	75	67,302	711	72,064	<b>140,152</b>
Additions: Existing properties	9,650	1,748	5,071	-	<b>16,469</b>
1st tranche sales	-	-	(37,474)	(7,112)	<b>(44,586)</b>
Disposals	(4,534)	-	(6,220)	-	<b>(10,754)</b>
At 31 March 2008	<b>935,747</b>	<b>117,957</b>	<b>156,639</b>	<b>70,363</b>	<b>1,280,706</b>
<b>Social Housing Grant</b>					
At 1 April 2007	432,033	33,606	62,126	19,299	<b>547,064</b>
Schemes completed	10,832	(10,832)	12,563	(12,563)	-
Additions	1,620	25,306	2,251	12,081	<b>41,258</b>
Transfer from recycled capital grant/disposal proceeds fund	-	-	(2,456)	-	<b>(2,456)</b>
Disposals	(1,353)	-	(208)	-	<b>(1,561)</b>
At 31 March 2008	<b>443,132</b>	<b>48,080</b>	<b>74,276</b>	<b>18,817</b>	<b>584,305</b>
<b>Other Grants</b>					
At 1 April 2007	24,639	8,465	74	1,802	<b>34,980</b>
Schemes completed	8,000	(8,000)	1,362	(1,362)	-
Additions	-	1,266	-	86	<b>1,352</b>
Disposals	(165)	-	-	-	<b>(165)</b>
At 31 March 2008	<b>32,474</b>	<b>1,731</b>	<b>1,436</b>	<b>526</b>	<b>36,167</b>
<b>Depreciation</b>					
At 1 April 2007	21,227	-	-	-	<b>21,227</b>
Charge for year	8,058	-	-	-	<b>8,058</b>
Eliminated in respect of disposals	(238)	-	-	-	<b>(238)</b>
At 31 March 2008	<b>29,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,047</b>
<b>Net Book Value</b>					
<b>At 31 March 2008</b>	<b>431,094</b>	<b>68,146</b>	<b>80,927</b>	<b>51,020</b>	<b>631,187</b>
At 31 March 2007	408,025	51,953	89,551	27,110	<b>576,639</b>

# Notes to the Financial Statements

For the year ended 31 March 2008

## 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
<b>Cost</b>					
At 1 April 2007	725,662	88,786	74,209	32,584	<b>921,241</b>
Schemes completed	39,618	(39,618)	21,592	(21,592)	-
Additions: New properties	-	66,355	14	66,831	<b>133,200</b>
Additions: Existing properties	12,698	-	5,566	-	<b>18,264</b>
1st tranche sales	-	-	(30,370)	(7,112)	<b>(37,482)</b>
Disposals	(2,739)	-	(2,058)	-	<b>(4,797)</b>
At 31 March 2008	<b>775,239</b>	<b>115,523</b>	<b>68,953</b>	<b>70,711</b>	<b>1,030,426</b>
<b>Social Housing Grant</b>					
At 1 April 2007	417,342	32,733	15,384	13,310	<b>478,769</b>
Schemes completed	9,582	(9,582)	5,193	(5,193)	-
Additions	1,620	24,929	1,625	10,700	<b>38,874</b>
Disposals	(1,298)	-	(131)	-	<b>(1,429)</b>
At 31 March 2008	<b>427,246</b>	<b>48,080</b>	<b>22,071</b>	<b>18,817</b>	<b>516,214</b>
<b>Other Grants</b>					
At 1 April 2007	24,639	8,465	74	440	<b>33,618</b>
Schemes completed	8,000	(8,000)	-	-	-
Additions	-	1,266	-	86	<b>1,352</b>
Disposals	(165)	-	-	-	<b>(165)</b>
At 31 March 2008	<b>32,474</b>	<b>1,731</b>	<b>74</b>	<b>526</b>	<b>34,805</b>
<b>Depreciation</b>					
At 1 April 2007	18,056	-	-	-	<b>18,056</b>
Charge for year	5,698	-	-	-	<b>5,698</b>
Eliminated in respect of disposals	(63)	-	-	-	<b>(63)</b>
At 31 March 2008	<b>23,691</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,691</b>
<b>Net Book Value</b>					
<b>At 31 March 2008</b>	<b>291,828</b>	<b>65,712</b>	<b>46,808</b>	<b>51,368</b>	<b>455,716</b>
At 31 March 2007	265,625	47,588	58,751	18,834	390,798

# Notes to the Financial Statements

For the year ended 31 March 2008

## 11 Tangible fixed assets: housing properties (continued)

Housing properties comprise:

	<b>Group</b> <b>2008</b> <b>£000s</b>	Group 2007 £000s	<b>Association</b> <b>2008</b> <b>£000s</b>	Association 2007 £000s
Freehold	<b>1,229,918</b>	1,126,882	<b>1,005,387</b>	896,202
Long leasehold	<b>50,788</b>	53,028	<b>25,039</b>	25,039
	<b>1,280,706</b>	1,179,910	<b>1,030,426</b>	921,241

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

	<b>Group</b> <b>2008</b> <b>£000s</b>	Group 2007 £000s	<b>Association</b> <b>2008</b> <b>£000s</b>	Association 2007 £000s
SHG and other capital grants deducted from:				
Housing properties at cost	<b>620,472</b>	582,044	<b>551,019</b>	512,387
Homebuy and starter home initiative	<b>10,178</b>	11,680	-	-
Add: cumulative amount credited to Income and Expenditure Account	<b>21,432</b>	21,432	<b>21,432</b>	21,432
	<b>652,082</b>	615,156	<b>572,451</b>	533,819

Additions to housing properties during the year included net capitalised interest paid of £4,348,000 (2007: £5,432,000).

**Accommodation in management comprises:**

	<b>Group</b> <b>2008</b> <b>Units</b>	Group 2007 Units	<b>Association</b> <b>2008</b> <b>Units</b>	Association 2007 Units
<b>Units owned and managed:</b>				
General needs	<b>16,890</b>	16,600	<b>11,706</b>	11,444
Housing for older people	<b>2,657</b>	2,737	<b>1,016</b>	1,032
Staff accommodation	<b>105</b>	112	<b>73</b>	80
Supported housing	<b>200</b>	157	<b>77</b>	48
Shared ownership	<b>2,864</b>	2,639	<b>819</b>	-
Intermediate rent for keyworkers	<b>117</b>	57	<b>48</b>	-
Other	<b>44</b>	49	<b>29</b>	-
	<b>22,877</b>	22,351	<b>13,768</b>	12,604
<b>Units managed on behalf of other landlords:</b>				
General needs	<b>104</b>	129	<b>729</b>	724
Housing for older people	-	-	<b>623</b>	623
Staff accommodation	<b>3</b>	3	<b>15</b>	15
Supported housing	<b>48</b>	64	-	-
Shared ownership	-	5	<b>1,769</b>	-
Intermediate rent for keyworkers	-	-	<b>49</b>	-
	<b>155</b>	201	<b>3,185</b>	1,362
<b>Managed freeholds:</b>				
RTB Leasehold	<b>805</b>	791	<b>675</b>	751
100% staircased	<b>647</b>	482	<b>629</b>	-
	<b>1,452</b>	1,273	<b>1,304</b>	751
<b>Total units managed (including freeholds)</b>	<b>24,484</b>	23,825	<b>18,257</b>	14,717
<b>Total units owned</b>	<b>22,979</b>	22,546	<b>14,545</b>	14,110

# Notes to the Financial Statements

For the year ended 31 March 2008

## 12 Other tangible fixed assets

Group	Freehold and leasehold properties	Estate equipment	Plant, machinery fixtures and vehicles	Computer hardware and software	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2007	31,383	6,400	557	2,447	<b>40,787</b>
Transfer from housing fixed assets	-	485	-	-	<b>485</b>
Additions	2,831	884	1,097	137	<b>4,949</b>
Disposals	(701)	(286)	(136)	(414)	<b>(1,537)</b>
At 31 March 2008	<b>33,513</b>	<b>7,483</b>	<b>1,518</b>	<b>2,170</b>	<b>44,684</b>
<b>Depreciation</b>					
At 1 April 2007	2,296	2,510	143	1,885	<b>6,834</b>
Charge for year	578	594	287	289	<b>1,748</b>
Eliminated in respect of disposals	(357)	(117)	(130)	(413)	<b>(1,017)</b>
At 31 March 2008	<b>2,517</b>	<b>2,987</b>	<b>300</b>	<b>1,761</b>	<b>7,565</b>
<b>Net Book Value</b>					
<b>At 31 March 2008</b>	<b>30,996</b>	<b>4,496</b>	<b>1,218</b>	<b>409</b>	<b>37,119</b>
At 31 March 2007	29,087	3,890	414	562	<b>33,953</b>

Association	Freehold and leasehold properties	Estate equipment	Plant, machinery fixtures and vehicles	Computer hardware and software	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2007	27,745	2,385	983	2,446	<b>33,559</b>
Additions	2,831	622	625	137	<b>4,215</b>
Disposals	(594)	-	(107)	(414)	<b>(1,115)</b>
At 31 March 2008	<b>29,982</b>	<b>3,007</b>	<b>1,501</b>	<b>2,169</b>	<b>36,659</b>
<b>Depreciation</b>					
At 1 April 2007	2,156	547	830	1,885	<b>5,418</b>
Charge for year	500	264	167	289	<b>1,220</b>
Eliminated in respect of disposals	(321)	-	(88)	(413)	<b>(822)</b>
At 31 March 2008	<b>2,335</b>	<b>811</b>	<b>909</b>	<b>1,761</b>	<b>5,816</b>
<b>Net Book Value</b>					
<b>At 31 March 2008</b>	<b>27,647</b>	<b>2,196</b>	<b>592</b>	<b>408</b>	<b>30,843</b>
At 31 March 2007	25,589	1,838	153	561	<b>28,141</b>

Freehold and leasehold properties comprise:

	Group 2008 £000s	Group 2007 £000s	Association 2008 £000s	Association 2007 £000s
Freehold	<b>33,464</b>	31,334	<b>29,933</b>	27,696
Long leasehold	<b>49</b>	49	<b>49</b>	49
	<b>33,513</b>	31,383	<b>29,982</b>	27,745

# Notes to the Financial Statements

For the year ended 31 March 2008

## 13 Investments

<b>Cost</b>	<b>Group 2008 £000s</b>	Group 2007 £000s	<b>Association 2008 £000s</b>	Association 2007 £000s
Unlisted investments	<b>1,989</b>	1,434	<b>1,989</b>	1,434
Investment loan to wholly owned subsidiary	-	-	<b>4,336</b>	7,678
Total investments at cost	<b>1,989</b>	1,434	<b>6,325</b>	9,112

### Market Value

Unlisted investments	<b>3,792</b>	3,451	<b>3,817</b>	3,476
Investment loan to wholly owned subsidiary	-	-	<b>4,336</b>	7,678
Total investments at market value	<b>3,792</b>	3,451	<b>8,153</b>	11,154

### Homebuy and starter home initiatives

Homebuy and starter home initiatives	<b>10,860</b>	11,860	-	-
Less: Social Housing Grant	<b>(10,178)</b>	(11,680)	-	-
	<b>682</b>	180	-	-

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.

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

# Notes to the Financial Statements

For the year ended 31 March 2008

## 14 Properties for sale

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Properties under construction	<b>6,906</b>	11,601	-	-
Completed properties	-	1,051	-	-
	<b>6,906</b>	12,652	-	-

## 15 Debtors

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Due within one year:				
Arrears of rent and service charges	<b>6,648</b>	6,064	<b>4,692</b>	4,368
Less: provision for bad and doubtful debts	<b>(4,371)</b>	(3,957)	<b>(3,166)</b>	(2,862)
	<b>2,277</b>	2,107	<b>1,526</b>	1,506
Social Housing Grant receivable	<b>10,597</b>	2,885	<b>10,597</b>	2,885
Amounts due from connected entities	-	-	<b>1,765</b>	3,890
Other debtors	<b>8,579</b>	4,712	<b>4,601</b>	1,834
Prepayments and accrued income	<b>2,633</b>	2,302	<b>1,833</b>	1,682
	<b>24,086</b>	12,006	<b>20,322</b>	11,797

# Notes to the Financial Statements

For the year ended 31 March 2008

## 16 Cash at bank and in hand

Cash balances held by Southern Housing Group Limited include amounts totalling £1.5m (2007: £1.4m) which must be used for specific purposes.

## 17 Creditors: amounts falling due within one year

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Social Housing Grant received in advance	<b>240</b>	118	-	-
Recycled capital grant fund	<b>1,477</b>	1,445	<b>65</b>	-
Disposal proceeds fund	<b>239</b>	146	<b>124</b>	146
Accruals and deferred income	<b>31,166</b>	29,107	<b>23,486</b>	21,459
Corporation tax	<b>3</b>	26	-	-
Other taxation and social security	<b>112</b>	811	-	724
Other creditors	<b>10,643</b>	8,535	<b>5,961</b>	4,579
Bank overdraft	<b>3,487</b>	-	<b>3,487</b>	-
Housing loans	<b>5,619</b>	4,215	<b>3,090</b>	2,790
	<b>52,986</b>	44,403	<b>36,213</b>	29,698

# Notes to the Financial Statements

For the year ended 31 March 2008

## 18 Housing loans

	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Housing loans falling due after one year	<b>467,808</b>	428,674	<b>326,455</b>	284,312

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

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
In one year or less	<b>5,619</b>	4,215	<b>3,090</b>	2,790
Between one and two years	<b>2,611</b>	4,629	<b>616</b>	3,092
Between two and five years	<b>10,209</b>	8,117	<b>3,392</b>	2,869
In five years or more	<b>480,133</b>	415,928	<b>347,592</b>	278,351
	<b>498,572</b>	432,889	<b>354,690</b>	287,102
Less: charged funds	<b>(25,145)</b>	-	<b>(25,145)</b>	-
	<b>473,427</b>	432,889	<b>329,545</b>	287,102

Housing loans bear hedged rates of interest ranging from 3.7% to 15% or variable rates based on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2009 to 2045. Southern Housing Group Limited has a £20m cancellable swap at a fixed rate of 4.77% with a market value of £(1.46)m at 31 March 2008. The swap is cancellable every three years.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 19 Recycled capital grant fund

	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance at 1 April	<b>9,072</b>	7,274	<b>308</b>	515
Grant released on sales	<b>3,619</b>	4,350	<b>104</b>	96
Interest added to fund	<b>385</b>	304	<b>15</b>	20
Inter-group transfer	-	-	<b>4,121</b>	2,322
Grant recycled into new schemes	<b>(4,248)</b>	(2,856)	<b>(4,248)</b>	(2,645)
Balance as at 31 March	<b>8,828</b>	9,072	<b>300</b>	308
Due within one year	<b>(1,477)</b>	(1,445)	<b>(65)</b>	-
Due in more than one year	<b>7,351</b>	7,627	<b>235</b>	308

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

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance at 1 April	<b>2,254</b>	1,321	<b>2,072</b>	1,142
Grant released on sales	<b>1,453</b>	1,293	<b>1,453</b>	1,293
Interest added to fund	<b>168</b>	82	<b>155</b>	79
Intergroup transfer	-	-	<b>80</b>	-
Grant recycled into new schemes	<b>(656)</b>	(442)	<b>(656)</b>	(442)
Balance as at 31 March	<b>3,219</b>	2,254	<b>3,104</b>	2,072
Due within one year	<b>(239)</b>	(146)	<b>(124)</b>	(146)
Due in more than one year	<b>2,980</b>	2,108	<b>2,980</b>	1,926

The balance on this fund represents grant from the Government, which has been released on sales of property. The fund is available for recycling into new housing provision.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 21 Deferred income

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance at 1 April	<b>2,672</b>	1,998	<b>1,992</b>	1,254
Deferred income arising in the year	<b>180</b>	955	-	955
Transferred to Income and Expenditure Account	<b>(360)</b>	(281)	<b>(304)</b>	(217)
Balance as at 31 March	<b>2,492</b>	2,672	<b>1,688</b>	1,992
Deferred income comprises:				
Premium on debentures	<b>1,667</b>	1,804	<b>1,088</b>	1,171
Retention on property disposal	<b>180</b>	-	-	-
Property leasing income	<b>645</b>	868	<b>600</b>	821
	<b>2,492</b>	2,672	<b>1,688</b>	1,992

# Notes to the Financial Statements

For the year ended 31 March 2008

## 22 Provisions for liabilities and charges

	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance at 1 April	<b>493</b>	665	<b>389</b>	441
Transferred to Income and Expenditure Account	<b>(55)</b>	(172)	<b>(51)</b>	(52)
Balance as at 31 March	<b>438</b>	493	<b>338</b>	389

Provisions for liabilities and charges comprises:				
Group pension fund	<b>51</b>	102	<b>51</b>	102
Housing property repairs	<b>387</b>	391	<b>287</b>	287
	<b>438</b>	493	<b>338</b>	389

The Group pension provision relates to a period when the Group was not required to make contributions to the pension fund and is being released over the average remaining contributory period of employees. The provision for housing property repairs relates to a contractual requirement on SWHA to undertake repairs to short leasehold properties upon lease termination, and a provision for Selby Street Consortium relating to a requirement to improve sound proofing in Selby Street properties. The housing property repairs provisions are released when the required repairs are made.

## 23 Called-up share capital

	<b>Association</b>	Association
	<b>2008</b>	2007
	<b>£</b>	£
Shares of £1 each issued and fully paid:		
Balance at 1 April	<b>11</b>	11
Shares issued during year	<b>1</b>	1
Shares surrendered during year	<b>(1)</b>	(1)
As at 31 March	<b>11</b>	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.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 24 Revenue reserve

	<b>Group</b>	<b>Association</b>
	<b>2008</b>	<b>2008</b>
	<b>£000s</b>	<b>£000s</b>
Balance at 1 April 2007	<b>149,796</b>	<b>132,299</b>
Surplus for year	<b>18,290</b>	<b>15,118</b>
Actuarial loss relating to pension scheme	<b>(477)</b>	-
Transfers to:		
Designated reserves	<b>(3)</b>	-
Restricted reserves	<b>(1)</b>	-
As at 31 March 2008	<b>167,605</b>	<b>147,417</b>
	<b>Group</b>	<b>Association</b>
	<b>2008</b>	<b>2007</b>
	<b>£000s</b>	<b>£000s</b>
Revenue reserve excluding pension liability	<b>175,370</b>	<b>147,417</b>
Pension liability	<b>(7,765)</b>	-
Revenue reserve including pension liability	<b>167,605</b>	<b>147,417</b>

## 25 Revaluation reserve

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance at 1 April	<b>2,054</b>	1,811	<b>2,054</b>	1,811
Surplus on revaluation of investments	<b>(214)</b>	243	<b>(214)</b>	243
As at 31 March	<b>1,840</b>	2,054	<b>1,840</b>	2,054

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

# Notes to the Financial Statements

For the year ended 31 March 2008

## 26 Designated and restricted reserves

### Group

	Designated reserves £000s	Restricted reserves £000s	<b>Total 2008 £000s</b>	Total 2007 £000s
Balance at 1 April	1,015	20	<b>1,035</b>	1,352
Transfers from Income and Expenditure Account	96	1	<b>97</b>	63
Transfers to Income and Expenditure Account	(93)	-	<b>(93)</b>	(383)
Additions in year	9	-	<b>9</b>	5
Expenditure in year	-	-	-	(2)
As at 31 March	<b>1,027</b>	<b>21</b>	<b>1,048</b>	1,035

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

### Association

	Designated reserves £000s	Restricted reserves £000s	<b>Total 2008 £000s</b>	Total 2007 £000s
Balance at 1 April	174	-	<b>174</b>	171
Additions in year	-	-	-	5
Expenditure in year	-	-	-	(2)
Transfer to revenue reserves	6	-	<b>6</b>	-
As at 31 March	<b>180</b>	<b>-</b>	<b>180</b>	174

### Designated reserves comprise:

	<b>Group 2008 £000s</b>	Group 2007 £000s	<b>Association 2008 £000s</b>	Association 2007 £000s
Legacy grants	<b>130</b>	124	<b>130</b>	124
Tenant amenities	<b>50</b>	50	<b>50</b>	50
IOW health authority housing improvements	<b>38</b>	37	-	-
Sheltered housing improvements	<b>209</b>	303	-	-
Committed projects in SHF	<b>600</b>	501	-	-
	<b>1,027</b>	1,015	<b>180</b>	174

# Notes to the Financial Statements

For the year ended 31 March 2008

## 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 Social Landlords, the negative goodwill arising is amortised over the remaining useful life of the underlying housing properties.

	Amortisation period period years	Book value £'000	Fair value adjustment £'000	Fair values £'000
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	8,732	10,805
James Butcher Housing Association Ltd 1 April 2006	100	10,203	(7,606)	2,597
	<b>Group 2008 £000s</b>	<b>Group 2007 £000s</b>		
Negative goodwill before amortisation	<b>16,766</b>	13,556		
Goodwill in year: acquisition of JBHA	-	2,597		
Adjust goodwill: write back of Dexia loan IoWHA	-	613		
Total negative goodwill	<b>16,766</b>	16,766		
Amortisation as at 1 April	<b>(425)</b>	(232)		
Amortised in year	<b>(199)</b>	(193)		
Amortisation as at 31 March	<b>(624)</b>	(425)		
Net negative goodwill as at 31 March	<b>16,142</b>	16,341		

## 28 Capital commitments

	<b>Group 2008 £000s</b>	Group 2007 £000s	<b>Association 2008 £000s</b>	Association 2007 £000s
Capital expenditure contracted but not provided for in the financial statements	<b>165,986</b>	118,174	<b>157,939</b>	108,837
Capital expenditure authorised but not contracted	<b>5,320</b>	14,070	<b>5,320</b>	14,070

## 29 Legislative provisions

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).

# Notes to the Financial Statements

For the year ended 31 March 2008

## 30 Group organisations

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

Southern Housing Group Limited - Parent body

Southern Housing Home Ownership Limited

South Wight Housing Association Limited

James Butcher Housing Association Limited

Southern Housing Foundation

Southern Space Limited

Affinity Housing Services (Reading) - Joint venture partnership with Windsor & District HA

## 31 Related parties

Two Board members, who are also residents, have been co-opted in 2007/08 and are expected to be fully appointed on completion of their probationary period. Such Board members, 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. The Group did not have any Board members who were also residents during 2006/07.

## 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

	2008 £000s	2007 £000s
Tangible fixed assets at cost	6,235	6,253
Less Social Housing and other grants	(5,497)	(5,497)
Investments at valuation	738	756
	659	703
	<b>1,397</b>	1,459

Net income from permanent endowed assets

	2008 £000s	2007 £000s
Income from lettings	1,796	1,738
Less expenditure on letting activities	(1,485)	(922)
Surplus on letting activities	311	816
Income from investments	8	8
	<b>319</b>	824

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



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