



REPORT OF THE BOARD AND FINANCIAL STATEMENTS 2012/13







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“Affinity Sutton has delivered another year of market-leading performance and is in an extremely strong place to respond to the new landscape.”

Neil Goulden, Group Chairman

Affinity Sutton Group is widely recognised as one of Britain’s most successful housing organisations.

We are used to dealing with dramatic changes in the external environment, but we are not immune to some of the most significant changes seen in social housing in the UK in over 30 years.

With only minimal economic growth in the UK, and many countries in Western Europe continuing to contract, the prospects for any return to significant growth do not look promising. The UK government continued to implement its cost cutting programme and last year saw one of the lowest levels of housing starts of any kind since 1923. Indeed, the tough environment for housing may get even tougher, and the government’s approach to these problems will have far reaching effects for all that we do. The Homes and Communities Agency’s contracts for delivery of the Government’s Affordable Homes Programme 2011-2015 completed their first full year, and we spent much of the last twelve months getting to grips with the potential implications for us of the Welfare Reform Act 2012.

Despite such difficult operating conditions, Affinity Sutton has delivered another year of market-leading performance and is in an extremely strong place to respond to the new landscape. On turnover of £305 million, we generated our highest ever surplus at £60.4 million, £10.9 million higher than we had budgeted, and £14.2 million better than last year. It resulted in interest cover of over 250% and ensured that we continued to place no reliance on asset sales to meet our underlying obligations.

As a business for social purpose, every penny of this surplus is directly applied to investment in new and our existing homes, and for the benefit of our communities. With capital investment into our current properties of £45.9 million, we were able to install 1,250 new kitchens, 1,150 new bathrooms and replace 3,760 boilers. And at a cost of £103.3 million net of grant, we were able to deliver about 750 new homes.

The vast majority of those new homes are for those in most housing need, the poorest in our society, who have little hope of renting or buying homes on the open market. Of the total investment in new homes in the year of £163.0 million, only £35.2 million came from government grant with the balance met from our own resources. With over 51% of the Affordable Homes Programme now committed or on-site, we remain committed to applying our resources towards playing a full role in the development of much needed new accommodation. But whilst the Affordable Homes Programme is progressing well, it has not been without its difficulties. We share the concerns of a number of commentators, including several of our partner local authorities, about the affordability of rents set at up to 80% of market levels. Our own research, conducted by Cambridge University, shows that homes at these rents are affordable to many on low incomes but resistance by some councils to prioritise such households and to support the new model more generally has made it difficult for us to continue the development of much needed Affordable Homes in those areas.

With government grant in our forward programme now down to an average of just 12%, we estimate that around £1 billion of our own resources will be used to support our plans to build nearly 9,000 new homes over the next ten years. Robust financial capacity is vital to support the significantly increased levels of funding we will need from the debt capital markets.

To provide certainty of funding for delivering that programme we raised £250 million through the capital markets in October 2012. Building on the highest credit rating in the sector, we were delighted with the result. At just 4.25% the coupon was the lowest ever in the sector at the time of issue, reflecting the positive assessment by investors of Affinity Sutton as a business.

Unfortunately, the downgrade of the UK government's credit rating in February by Moody's, led to an immediate downgrade of most Moody's-rated housing associations. Affinity Sutton's rating was reduced from Aa2 to Aa3. However, more recently, in May 2013, when the ratings of all other housing associations were downgraded, we were extremely pleased that Moody's re-confirmed our Aa3 rating and returned the outlook to stable. This makes Affinity Sutton the only housing association with a "double A" rating.

We were delighted that overall customer satisfaction with our services was maintained at over 80%, about the same level

as some of the UK's best performing national retailers. This is excellent performance but we have for some time recognised that the changes taking place across the economy force us to respond with a radical agenda for the way we operate. Last year we reported that we were undertaking a review of some of our core processes with McKinsey & Company. That work, the first step in a period of much greater transformation, delivered both challenge and validation. Using their database of thousands of companies across the globe they concluded that there is a lot we are doing well already.

But we cannot be complacent and the McKinsey work pointed to a number of areas where our systems and processes may let us down in meeting our aspirations in the future. For example, in terms of how we interact with our customers, how we manage our assets and the ways in which we manage arrears and deliver repairs. Building on that work we launched Future Foundations in 2012, a medium-term change programme targeted at finding new ways of working with our residents. It aims to improve efficiency at the same time as understanding our customers better and communicating with them in ways that they want. It will also make our service offer clearer, and make more explicit our tenants' responsibilities to us and their neighbours. This approach has been widely endorsed in consultation with our most involved residents. Alongside this we are embarking on a fundamental review

"We have always believed that the basis of a thriving organisation that delivers great customer service lies in the way we recruit, develop, reward and lead the staff who provide that service, and the results speak for themselves."

Keith Exford, Group Chief Executive



of our IT solutions, which, in common with most in our sector, were developed up to 20 years ago. They are robust and reliable, but we do not believe that they provide the levels of functionality, flexibility and integration we need to deliver that change programme. This will lead to fundamental change and that will place great demands on our staff, but we are confident that they will rise to the challenge.

The skills, experience and commitment of those 1,500 staff have in a large part driven the success that we have had this year. We have always believed that the basis of a thriving organisation that delivers great customer service lies in the way we recruit, develop, reward and lead the staff who provide that service, and the results speak for themselves. We know from the number of applications we receive for our vacancies that many people aspire to work for Affinity Sutton. About 85% of our staff say they are committed to Affinity Sutton's goals, and a similar number say they are satisfied with Affinity Sutton as their employer. But it's not all about us: in 2012/13 our staff used their creativity and sometimes courage, to raise over £24,000 for Macmillan, our chosen charity.

As a business for social purpose we invest our surpluses in what we believe in: our residents and our communities. Perhaps one of the greatest challenges our residents face in the coming years comes from welfare reform, which will put pressure on households already managing with

low incomes. Last year we spent over £4 million through our Community Investment programme which delivers national programmes addressing the issues that matter most to our residents: jobs, money and communities. The best way for many of our tenants to avoid welfare reform cuts will be to find a job, and last year, we supported a record 585 unemployed people into work. Through our Money Matters programme we helped about 1,250 residents with free debt advice and we are the first housing association to select a national Credit Union partner so all our residents can access affordable banking services.

We remain committed to our mission to "use our heritage, fresh thinking and commitment to help people put down roots". Our ethos as a business for social purpose means we must focus on delivering good services to our residents; investing effectively in their homes; replacing those homes when they reach the end of their useful life; building new homes; and contributing to the communities where we work.

The challenges we face now are, if anything, even more daunting than a year ago. However, we believe that in the last year we have considerably strengthened our prospects for remaining at the forefront of social housing in England and delivering outstanding performance in all that we do.

Neil Goulden, Group Chairman
Keith Exford, Group Chief Executive



BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Neil Goulden, Group Chairman
 Mike Herring, Group Vice Chairman (from 26 July 2012)
 Helen Bailey (appointed 2 April 2012)
 Nick Jones (appointed 1 February 2013)
 Sue Killen (appointed 2 April 2012)
 Simon Neville (appointed 1 May 2013)
 Jonathan Paine
 Colin Sturgeon
 Keith Exford (Group Chief Executive)
 Mark Washer (Group Finance Director)
 Kerry Kyriacou (Group Development Director)

Pat Berry (resigned 26 July 2012)
 Mark Haysom CBE (resigned 23 August 2012)
 Peter Reynolds (passed away 23 May 2012)

Executive Directors

Keith Exford
 Jonathan Cawthra
 Kerry Kyriacou
 Neil McCall
 Clare Miller
 Michelle Reynolds (appointed 1 January 2013)
 Mark Washer

Mark Perry (resigned 31 December 2012)

Company Secretary

Clare Miller

Principal Solicitors

Allen & Overy LLP
 1 Bishops Square
 London
 E1 6AD

Trowers & Hamblins
 3 Bunhill Row
 London
 EC1Y 8YZ

Winckworth Sherwood
 Minerva House
 5 Montague Close
 London
 SE1 9BB

Bankers

NatWest Bank plc
 143 High Street
 Bromley
 Kent
 BR1 1JH

Auditors

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

Registered Office

Level 6
 6 More London Place
 London
 SE1 2DA

REPORT OF THE BOARD

OPERATING AND FINANCIAL REVIEW

Group Structure

Affinity Sutton Group Limited (“the Association”) is the parent company of Affinity Sutton Homes Limited (“Affinity Sutton Homes”), a national housing association, and a number of

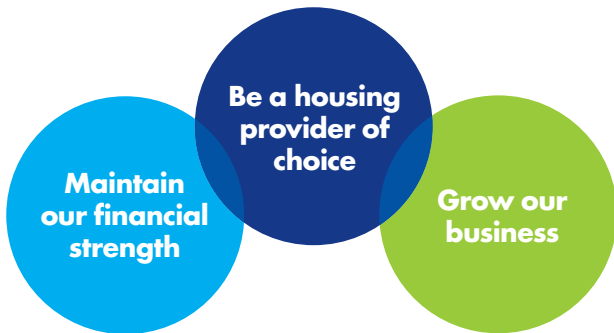
smaller subsidiaries. More detail on the Group’s structure and its activities is set out in note 27 of the Financial Statements.

The following summarises the roles of the main companies in the Group at the year end:



Our Corporate Strategy

Our ultimate aim remains unchanged: we will continue to “use our heritage, fresh thinking and commitment to help people put down roots”. This is supported by our “core objectives”, the business drivers which guide our direction of travel and are fundamental to achieving future success. We want to:



To do this we have two “enabling objectives” which support our ability to make a difference. They are:



We continue to recognise the need to change in response to increasing complexity and uncertainty in our operating environment. This new environment provides opportunities, such as the delivery of new and better tailored products, but it also brings significant risks and new challenges. In response to this we launched our Future Foundations programme during the year to transform the way we work.



The External Environment

During 2012/13 the plans put in place by the coalition government in 2010 to reduce public spending by £120 billion over five years to deal with the public funding gap began to be rolled out. The Affordable Homes Programme (“AHP”) got underway properly, and the detail of much of the planned welfare reform became clearer. Against the challenging backdrop of the weak economy, and with the end of the 2012-15 AHP getting closer, the housing sector sharpened the debate on what social housing would look like in the future.

Development of new social housing, which had stalled in 2011, picked up pace, but some of the sector’s concerns about the AHP model were borne out by resistance from many local authorities, particularly in London, to rent levels much closer to market rates. On welfare reform, media interest

increased as individual stories of hardship and perceived unfairness gained attention, and Lord Richard Best christened the provisions for under-occupation the “bedroom tax”. More generally, the National Housing Federation’s “Yes to Homes” campaign positioned housing further up the political agenda.

At the same time the housing market remained flat, and with the Land Registry recording just a 0.9% year-on-year rise in house prices it still looks far from robust. Interest rates remained low, with the base rate unchanged at 0.5% since March 2009.

So, whilst many of the risks that we have identified over the past four years remain, new issues and uncertainties must now be factored into our forward planning.

Risks And Uncertainties

These challenges, and others, have meant that we have continued to focus during the year on our response to the following chief risks:

- The potential for a material weakening of our strong financial position as a result of exposure to the new investment model, especially the impact on our debt levels;
- Breaches of funders’ covenants through unexpected movements in our financial position, such as charges caused by impairment and losses arising from our exposure to the property market;
- A continuing tightening of the credit markets leading to funding shortfalls and potential re-pricing of existing loan facilities;
- Higher arrears and bad debts caused by the introduction of the new Universal Credit system and other changes to welfare benefits and their payment terms;
- The failure of our processes and systems to meet the challenges we face over the medium term in a way which enables us to maintain high levels of customer service;
- The potential for further negative movements in the property market and an on-going period of economic stagnation;
- The potential for failure among our key suppliers, in particular, house builders, developers and maintenance contractors;
- Properties reaching the end of their useful lives, and requiring either total re-development or significant levels of expenditure to increase their useful lives and bring them up to a lettable standard;
- The potential for future regulatory requirements imposing minimum standards of eco-efficiency on our existing stock. Depending on the terms of any such requirements, this would be challenging without some form of financial support or a more active programme of asset disposal.

We have been keen to ensure that we are ready to meet the challenges of perhaps the four most significant areas of risk, those associated with the Affordable Rent programme, the changes to welfare benefits, funding our development plans, and ensuring that our own internal systems and processes are fit for the future.

“We continue to recognise the need to change in response to increasing complexity and uncertainty in our operating environment.”

Affordable Rent

The financial profile created by the Affordable Homes Programme continues to represent a significant shift for Affinity Sutton and the sector more generally. With grant levels down as low as 12% across the programme, new development requires much higher levels of debt which brings new risks. And as rents move closer to market levels many residents find themselves under increased financial strain, which creates risks for our rent collection performance. Our close monitoring of the programme over the last year has been critical to understanding how the model is working.

Our performance, as we discuss elsewhere in this report, has been good, and most of the homes we will develop under this programme are committed. However, conversions of existing homes to Affordable Rent levels has progressed more slowly than expected due to a drop off in letting rates for existing stock, and, in some areas, local authority resistance. This will have a negative impact on the funding

of the programme and as a result we expect to deliver fewer homes than the 3,000 we planned last year.

But perhaps more significantly, as the end of the current programme approaches in 2015, we need to consider how we will continue to meet one of our core objectives which is to build new homes for those who need them. Whilst a modest programme for 2015-17 is now planned by the HCA and the GLA, there is still no clear model for future development beyond that, but we are committed to continuing to provide new homes that are affordable to people on low incomes. This will be a challenge, but our financially strong profile is likely to enable an on-going programme. Whilst the shape of such a programme cannot be fully worked up at this early stage, we are likely to limit rents to levels lower than those in the current programme, both to increase affordability and to mitigate the impact of welfare reform on our income streams.



Welfare reform

The Government's measures designed to reform welfare benefits in the UK were further developed in 2012/13 in readiness for a four year roll-out starting in April 2013. The changes will fundamentally affect the welfare landscape in the UK. The main areas of impact for the housing sector, and our responses to them are:

- A cap on the maximum benefit a household can receive of £26,000 per annum went live in April 2013 in just four boroughs, including Bromley and Croydon where we operate. When fully rolled out we expect the cap to affect mainly tenants paying Affordable Rents in larger properties in London. For this reason, our current rent policy places a maximum rent for larger properties at 65% of the market level. We have also continued work with tenants in these properties during the year, where appropriate referring them to our Work and Enterprise team who provide a service which helps people gain employment and training;
- Restrictions on benefit payments for working age households deemed to be under occupying their home. We believe that up to 10% of our tenants could be in properties which are deemed too large for their current circumstances. The implied benefit shortfall is estimated at about £4 million. We have successfully worked with a number of tenants who have chosen to move into suitable smaller accommodation, and we have made good progress in improving the quality of the data we hold so that it is more closely aligned to the demands of the welfare reform requirements;
- A single "Universal Credit" which will replace housing benefit and will be paid directly to the tenant on a monthly basis and will be phased in from autumn 2013 to 2017. We have maintained the increased level of staff resources in this area, with a number of new Welfare Benefit Advisors who are working closely with our Community Investment teams to ensure we provide help to tenants to set up bank accounts and encourage direct debit and other electronic payments.

Although difficult to quantify, these changes are highly likely to impact on our arrears collection and bad debt levels. As a result we have further increased the provision for such losses in our financial forecasts.

Our systems and processes: Future Foundations

In 2012 we worked with management consultants McKinsey & Company to help us review the way we resource some of our key functions and processes. We wanted to derive better and more cost effective ways of delivering services, and to be challenged to make them more fit for the future. This has led to our Future Foundations programme which will transform the way we work with our customers and behind the scenes. Over the next three to five years we expect to:

- Develop a more consistent service and support offer, making it clearer for all concerned what we will and won't do for our residents;
- Streamline the processes by which we deliver our service and support, using benchmarks from beyond the housing sector;
- Move our services to a digital environment, where most can be delivered effectively online;
- Launch initiatives to drive changes in resident behaviour, so that they have clear responsibilities as well as rights.

Alongside this we need to modernise our IT solutions so that we can respond more effectively to our customers. We want to join up the different parts of the business through a single system, linking operations across the Group; provide for self service from our customers; and give real-time access to information; and to make data capture and access easier.

“ We wanted to derive better and more cost effective ways of delivering services, and to be challenged to make them more fit for the future.”

Funding our future development: our 2012 bond Issue

In line with the plans set out in our funding strategy, we took advantage of strong demand from bond investors and low long-term gilt rates to issue a £250 million 30-year bond in October 2012. This continues the shift in balance of our funding portfolio away from bank debt and towards the capital markets with about 45% of our drawn long-term funding now coming from bonds. It creates a strong base for the development of new homes for which it will provide funding for up to two years.

There was very strong interest from investors with orders of £1.1 billion received from 40 investors. With the lowest coupon in the sector ever at that stage, at 4.25%, it placed the Group firmly in the top tier of sector issuers.

We continued to develop our approach to Treasury and the investor community by, amongst other things:

- Developing our website to include an investor portal;
- Committing to undertake an annual non-deal roadshow;
- Improving our focus on investor relations;
- Continuing our programme of charging housing assets for security purposes to increase headroom and improve flexibility.

Our response to the risks

In addition to the focussed changes described above, we have responded more generally to the changing landscape in the following ways:

- We started to use the first results of our work on Active Asset Management with Savills plc to deliver a more refined and nuanced approach to our housing asset base, linking it more comprehensively to the economic performance of our stock;
- Based on this we have increased the level of investment provided in our financial plan to regenerate stock that is reaching the end of its useful life;
- Approved a strong new long-term financial plan which protects our financial strength and reflects the changing risk landscape. This incorporates the results of a detailed assessment of the assumptions we use for business planning to ensure that they properly reflect the new environment;
- Undertaken a range of robust sensitivity and scenario analysis which demonstrates options for recovering from adverse movements in our financial results;
- Strengthened our financial "golden rules" in the light of changes to our risk environment;
- Retained our cautious approach to market sales risk;
- Continued to mitigate a range of risks by forming new joint venture arrangements with commercial developers;
- Working with the Remuneration Committee, we have continued to develop strategies to minimise the risks arising from further pension liabilities.

Financial Performance

Affinity Sutton Group has delivered another year of strong financial performance. The Group generated a surplus of £60 million (2011/12: £46 million) on a turnover of £305 million (2011/12: £273 million).

Affinity Sutton has a reputation for robust financial management. We see maintaining this strong financial position as one of our core objectives, because without it

we would not be able to achieve our broader aims. With Major Works capital expenditure at £45.9 million, all of this year's surplus was broadly matched by investment in our housing stock through a programme of planned repairs and improvements, as well as making an important contribution to our Affordable Homes programme. This limits the levels of debt we will need to take on in order to fund capital investment.

Surplus

The following table provides a summary of the Group's results for the last five years:

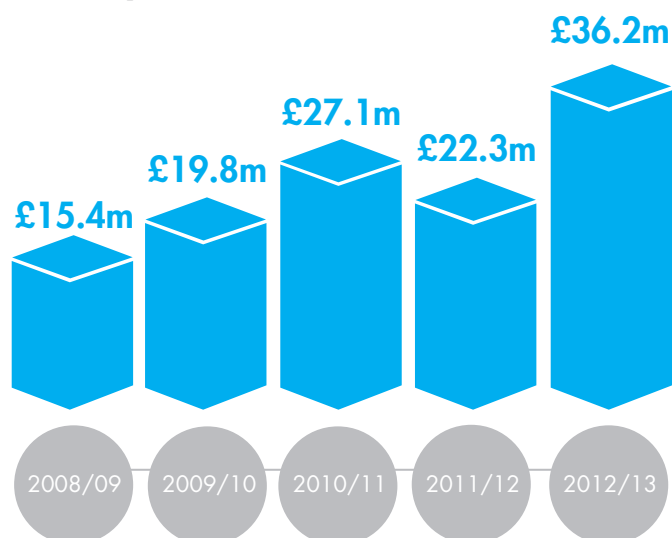
	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m
Turnover	305	273	268	274	238
Cost of sales	(35)	(23)	(23)	(33)	(19)
Operating costs	(163)	(155)	(157)	(154)	(145)
Exceptional items	-	(4)	5	-	(13)
Operating surplus	107	91	93	87	61
Surplus/(deficit) on disposal of properties	2	-	(1)	1	2
Net financing costs	(49)	(45)	(43)	(44)	(43)
Surplus for the year	60	46	49	44	20

Turnover is up on last year by £32 million, resulting in a net surplus for the year of £60 million, an improvement on the previous year of £14 million, or over 30%.

The operating surplus of £107 million (2011/12: £91 million) gives an operating margin of 35% (2011/12: 33%). Operating costs are up by £8 million or 5.5%. After adjusting for inflationary increases of 5.6% and an increase in the number of new homes in management, this represents a real terms reduction in operating costs. This is consistent with our aim to bring operating costs down year on year.

The Group's five-year adjusted cash generation from operations, shown in the following chart, demonstrates a strongly improving profile:

Adjusted Cash Generation from Operations



Balance Sheet

The following table summarises the Group Balance Sheet for the last five years:

As at 31 March	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Tangible fixed assets	1,608	1,507	1,380	2,208	2,153
Net current assets	101	95	154	77	110
Total assets less current liabilities	1,709	1,602	1,534	2,285	2,263
Creditors due in over one year	1,214	1,164	1,120	979	994
Income and expenditure account	453	391	375	304	275
Revaluation and other reserves	5	7	7	944	966
Other	37	40	32	58	28
	1,709	1,602	1,534	2,285	2,263

Total assets less current liabilities increased by over £100 million to £1.7 billion (2012: £1.6 billion) as a result of expenditure on both existing homes and new stock.

This was funded by increases in the Income and Expenditure Reserve and a net increase in long-term loans of £50 million.

Key Group financial indicators

The table below highlights the Group's performance against some of its key financial performance indicators:

	2012/13 Actual	2012/13 Target/Budget	2011/12 Actual
Operating margin	35.0%	35.1%	33.3%
Interest cover	251.9%	202.7%	232.9%
Operating cost per home	£3,420	£3,357	£3,260
Adjusted cash generation from operations	£36.2m	£27.5m	£22.3m
Net margin	19.8%	16.0%	16.9%
Gearing	71.7%	71.7%	73.6%
Net debt per unit	£23,518	£24,589	£22,431
Debt:Turnover	4.0 :1	4.6 :1	4.3 :1
Ratio of committed development spend covered by cash and available loans	1.9 :1	>1.0 :1	1.8 :1

With the exception of operating margin and operating cost per home, each measure is better than or in line with the Group's target.

Adjusted cash generation is very strong at £36.2 million (2011/12: £22.3 million), our strongest performance ever.

This is a critically important measure since it provides an indication of our ability to meet the underlying obligations of our stock without recourse to debt finance. Positive cash generation provides vital support for the development of new homes whilst keeping debt levels lower than they might otherwise be.

Operational Performance

The following table shows some of our key measures of operational performance:

	Group 2012/13	Target for Group	Group 2011/12	Target Met
Current rent arrears as a % of rent debit (Social Housing)	3.83%	<4.25%	4.62%	Yes
Rent loss due to voids	2.0%	<2.1%	1.9%	Yes
Average time to relet (Social Housing)	33.1 days	<27.0 days	26.4 days	No
Residents satisfied with repairs	84.7%	>85.0%	86.7%	No
Resident satisfaction	80.8%	>80.0%	80.1%	Yes
Properties meeting Decent Homes Standard	100.0%	100.0%	100.0%	Yes

Current rent arrears as a % of rent debit (Social Housing): This measures the amount of rent owed by current tenants compared to the annual rent charge. Building on a very significant improvement in 2011/12, by the year end performance was well inside the target we set. This reflected a change to working practices, a re-organisation of the team to ensure that their work focussed on targeted areas, and a more co-ordinated approach to collection across the business. However, we believe that the challenging economic conditions and the transformation to welfare benefit will make this difficult to maintain. Nevertheless, we will continue to resource this area and to work with residents to minimise any adverse impact from those changes.

Rent loss due to voids: Performance is in line with target but slightly worse than last year. In accordance with our new HCA development contract we are reletting a number of properties at Affordable Rent levels. This is the first full year that we have adopted this policy and we have needed to undertake enhanced repair work to a number of these properties which has increased void periods.

Average time to relet (Social Housing): Performance in this area has been disappointing. It is outside of our internal target and is worse than last year's performance. This is due to time taken to complete repairs on void properties by

our maintenance contractors and delays we experienced with some local authorities as we introduced Affordable Rents when we relet a number of our existing properties. We are taking action to bring performance back within target levels. We have restructured the team resources with a particular focus on "refusals" and we are working closely with our maintenance contractors to improve performance.

Residents satisfied with repairs: Contractors' performance is monitored on a monthly basis via a suite of performance measures which are collated through an independent satisfaction survey. We appointed a new service provider at the end of June and they have responsibility for half our housing stock, with the remainder maintained by CBS. Customer satisfaction in the year has been good, although is slightly below target. Recent performance in 2013 has improved and we are exceeding target.

Resident satisfaction: Each quarter an independent customer satisfaction survey is carried out by the Leadership Factor. The latest results relate to the March 2013 survey which at 80.8% is slightly better than our target.

Properties meeting Decent Homes Standard: The Group was fully compliant with the Decent Homes Standard at the year end.

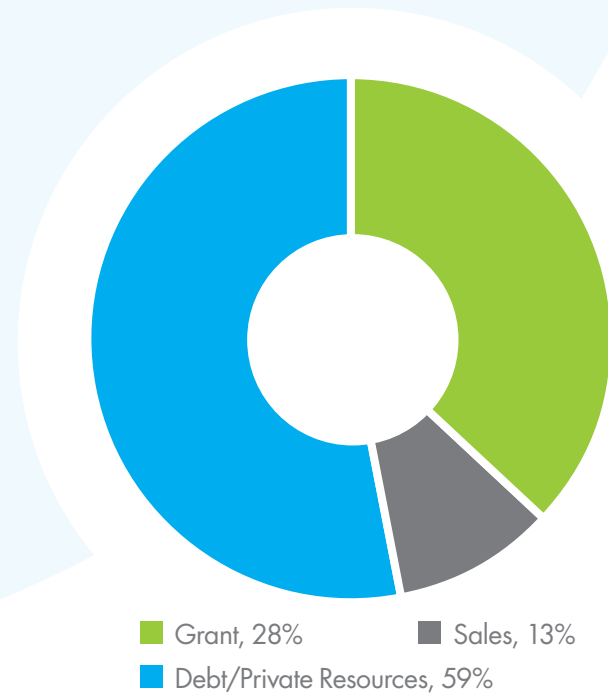
Value for money and benchmarking

Our commitment to VfM

Affinity Sutton Group is driven by trying to find ways to provide excellent services at the same time as seeking to reduce costs and improve efficiency. The importance of VfM and efficiency are well understood by staff throughout the business, and we continue to work to ensure that we are engaging residents in VfM effectively.

We believe that the Group offers excellent VfM for the public purse through its investment in the development of new homes. Over the last three years our expenditure on the development of new homes was largely funded by private debt and our own internal resources, with just 28% (2011/12: 37%) coming from government grant.

How the Group funds its development activities on a three-year rolling basis:



How we deliver on VfM

The Group believes that a balance of quality, regulated rent structures and a focus on surplus levels is the best way to ensure that efficiency continues to improve. We place particular attention on a number of key financial ratios which form a set of financial golden rules. Amongst other measures, these target year on year decreases in real per unit operating costs as a key indicator of efficiency. The Group's operating costs, key financial indicators and operational performance, are regularly benchmarked against a peer group made up of the largest national and London associations.

The Group relies on an embedded programme of resident satisfaction surveys to measure progress with satisfaction. On stock condition, it has met and plans to go beyond the Decent Homes Standard. Rents continue to be limited by the formulaic target levels, and we are on target to meet these levels across the Group.

Chief among the ways in which we seek to improve efficiency and VfM is growth through merger. Two significant mergers have generated major savings in operating costs which are probably unprecedented in the sector. About £5.7 million savings per annum have been generated from mergers alone. In parallel we have adopted cost reduction plans which have seen year on year decreases in operating costs. Since 2007 some £17 million of costs per annum have been removed from the business at the same time as resident satisfaction has increased.

In addition VfM achievements in the year include:

- Efficiency savings of over £2.5 million from procurement exercises across a range of services;
- On-going annual efficiencies of £2.7 million from lower maintenance charges from our two primary maintenance contractors;
- The October 2012 bond issue will result in a present value saving of about £35 million against our forecast over the 30 year funding period as a result of a significant reduction in the average cost of our debt portfolio;
- A number of contracts for planned and cyclical works netted in excess of £2 million savings;
- We tendered our North region Grounds Maintenance services, involving residents in the procurement of the contract and management of the service and resulting in savings of £250,000 over four years;
- We secured an additional £2.2 million of benefit payments for our residents in the year which was provided by a team of dedicated welfare benefit advisors.

Benchmarking: how we compare

We believe that comparing our performance with that of our peers can provide an important benchmark across a range of outputs. For a number of years we have therefore compared both our financial and operating performance with our peer group¹.

The following table shows Affinity Sutton's performance for 2012/13 and 2011/12, and provides a comparison with the peer group using 2011/12 published data. National average and top quartile data is also shown where available and relevant:

	Affinity Sutton 2012/13	Affinity Sutton 2011/12	Peer group average 2011/12	Affinity Sutton peer group ranking 2011/12	National average 2011/12 (where available)
Financial VFM analysis					
Operating cost per home	£3,420	£3,260	£4,592	2	£3,859
Management costs per home	£638	£609	£1,058	4	£908
Service charges costs per home	£425	£392	£538	7	£460
Maintenance, cyclical and major repairs expenditure per home	£2,311	£2,307	£1,850	15	£2,007
Rent void losses per home (general needs and Affordable properties, excluding garages)	£54	£58	£46	16	n/a
Social housing lettings operating margin	42.6%	40.3%	28.2%	2	23.4%
Overheads as a percentage of income	7.8%	7.3%	9.4%	3	n/a
Chief Executive pay per home	£5.0	£4.9	£6.2	8	n/a
Ratio of Chief Executive emoluments to average staff emoluments (excluding employer's pension contribution)	8.6 :1	8.4 :1	7.4 :1	16	n/a
Board and Executive pay per home	£25.9	£28.5	£30.0	6	n/a
Housing management VFM analysis					HouseMark RSLs >10,000 units 2011/12
Current rent arrears – social housing properties	3.83%	4.62%	4.41%	4	3.52%
Relet times – social housing properties	33.1 days	26.4 days	29.7 days	9	25.7 days
Residents' satisfaction overall ²	80.8%	80.1%	76.0%	2	n/a
Residents' satisfaction with repairs ²	84.7%	86.7%	70.8%	2	n/a

1. Comprised of the large London housing associations (the G15 group) and five of the largest national housing associations: Sanctuary, Places for People, Guinness, Home and Riverside

2. The resident satisfaction measures for the Group are based on surveys by the Leadership Factor whereas the peer group satisfaction scores are in general based on the Status triennial survey.

The Group continues to have one of the lowest operating cost per home compared to its peers. At £3,420 per home the figure is second lowest of any in the 2011/12 benchmark group. It is lower than both the peer group average of £4,592 and the national average of £3,859.

We continue to demonstrate top quartile management costs performance when compared to our peer group averages.

We are an average performer on service costs per home at £425, an increase on last year but significantly below the peer group average of £538 and the national average of £460.

Our unit cost at £2,311 reflects the continued strong investment in our homes on day-to-day maintenance and planned works. The peer group unit cost ranges from £1,103 to £3,201. About 60% of the Group's total social housing lettings spend represents planned and major works.

A small improvement in relets with performance at £54 per home (2011/12: £58). The Group is in the bottom quartile on void losses in a peer group range from £21 to £93.

At 42.6% (2011/12: 40.3%) this reflects our continued focus on efficiency and surplus generation to provide resources for investment in our social activities. We are ranked second within the peer group and have been a top quartile performer for a number of years, demonstrating our commitment to deliver operational and financial efficiencies.

Overheads are slightly up on last year at 7.8% of income but well below the peer group average of 9.4%. We are ranked in the top quartile on this measure.

Our performance at £5.0 is marginally up on last year but well below the peer group average of £6.2. The ranking here is in the middle of the peer group rankings.

At 8.6, the ratio of chief executive pay as compared to average staff pay, is slightly up on last year. This is based on average staff pay at Affinity Sutton of £33,061 per annum.

The Group is at £25.9, a reduction of about 10% compared with last year and in a peer group range of £7.9 to £49.0.

Our arrears performance at 3.83% has improved during the year and is better than the peer group average of 4.41%. We are now a top quartile performer.

With a 33.1 day average turnaround, the Group is a below average performer in 2011/12. The peer group average is 29.7 days.

The year-end satisfaction rating of 80.8% is based on an independent survey by the Leadership Factor which compares favourably with the peer group average of 76.0%.

Our residents' satisfaction with repairs at 84.7% compares well with the peer group average of 70.8%.

Property development and sales

During the year we completed 751 new homes, of which 474 were for rent, 184 were for low cost home ownership and 93 were for sale on the open market (including our share of homes constructed through joint ventures). In addition, we started construction on over 1,000 new Affordable Homes, of which 751 were for rent and 289 for shared ownership, and 143 for sale on the open market.

The agreement which we made in 2011 with the Homes and Communities Agency (HCA) under the Government's Affordable Rent programme is now administered by the Greater London Authority (GLA) and the HCA for homes inside and outside London respectively. By the year end we had made significant progress towards fulfilling both contracts - over 1,400 new Affordable Homes were already in development and a further 661 had been approved by the Board to proceed.

However, the Group takes the view that it must balance delivery of the programme with both the management of local priorities and the Group's long term interests and consequently will not build units at any cost. This may mean that not all 3,000 units originally agreed will be delivered, something which we are now actively discussing with our partners the HCA and GLA, two years prior to the end of the programme.

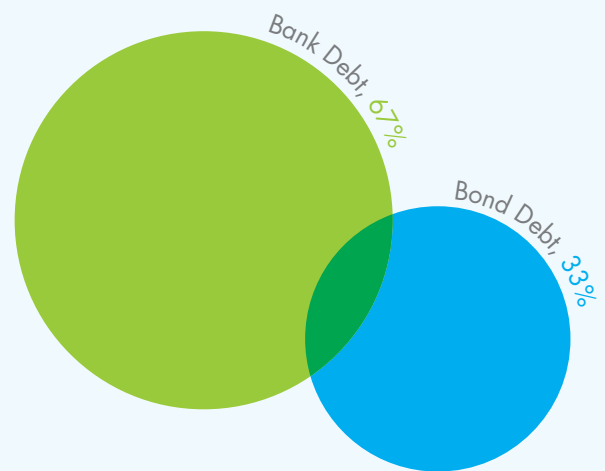
Grant income for 2012/13 was £35.2 million, which provided 22% of the development costs. The balance (78%) was provided by £127.8 million of private loans and funding from internal resources.

Sales performance for 2012/13 has been another strong year with 229 sales completed directly by the Group (211 shared ownership and 18 sold on the open market), with revenues on budget at £25.3 million. Sales rates remained strong, with properties selling in an average of 7.3 weeks compared with our 12 week target. We also completed 93 re-sales for existing shared owners.

Treasury management

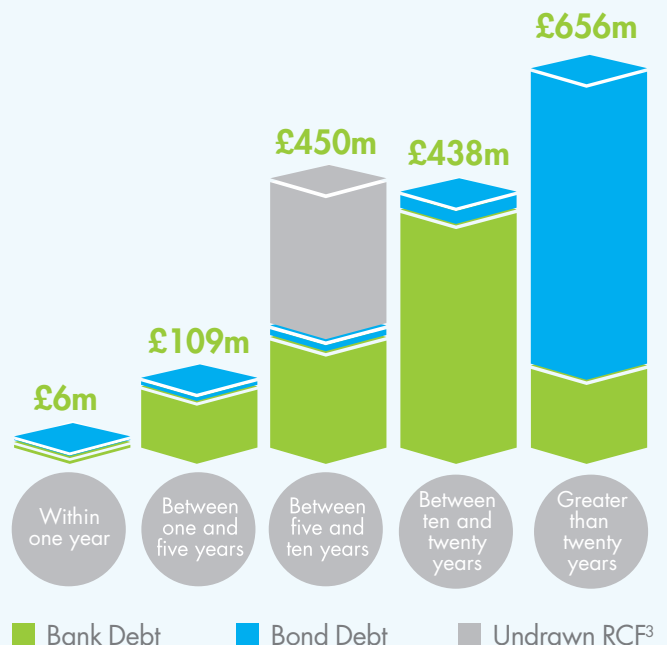
As at 31 March, the Group had £1.66 billion of committed debt funding, with drawn funding totalling £1.22 billion, up from £1.17 billion in 2012. The Group seeks to maintain diversification in its funding sources, with 33% of committed funding coming from the capital markets and 67% coming from six banks and building societies.

Bank vs Bond debt



The Group has limited re-financing risk in the next five years with over three-quarters of the Group's debt maturing after ten years.

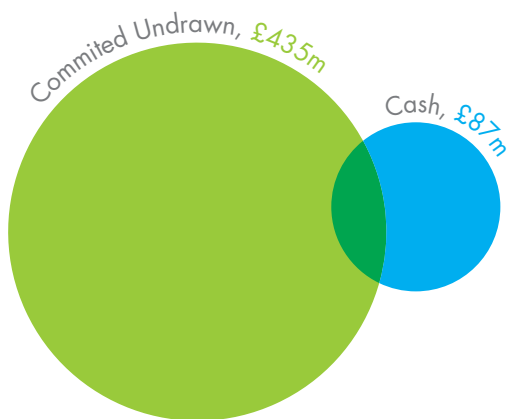
Debt repayment profile



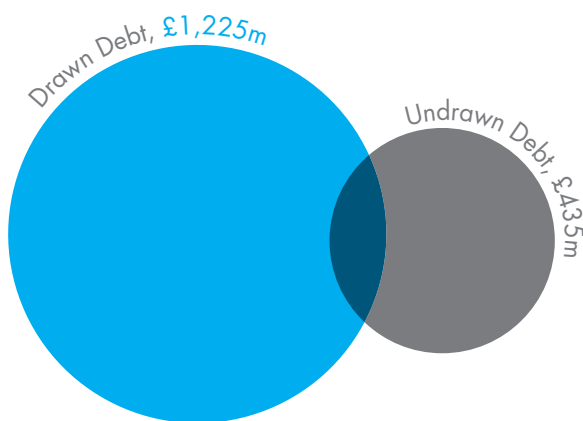
3. Revolving Credit Facility

As at 31 March, the Group maintained £435 million of committed undrawn facilities available for immediate drawing and £87 million of cash in hand, representing total available liquidity of £522 million. In line with the Group's prudent policies on liquidity management, these resources are more than sufficient to meet all of the Group's contractual commitments to developers and housebuilders.

Available liquidity



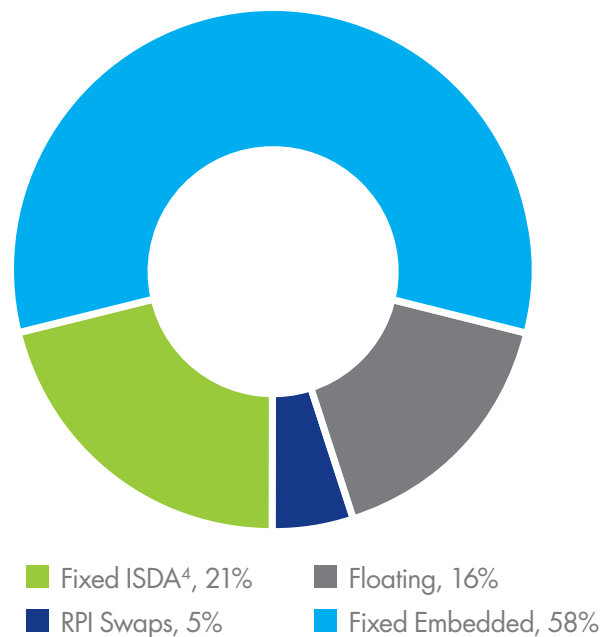
Total committed funding



The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest, which is consistent with the interest profile of the Group's cash investments. The Group targets a flexible policy of hedging 65% to 85%

of its net debt with predominantly fixed rate instruments and a small proportion of index linked instruments, with flexibility to depart from these parameters if circumstances make this more appropriate. At the year end, this policy resulted in a portfolio that was 79% fixed-rate, 16% floating-rate, and 5% index-linked. The Group does not have any non-Sterling interest rate or exchange rate exposures.

Hedging activity %



The Group maintains its desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand alone swaps (including fixed and index linked derivatives with bank counterparties). As at year end, 70% of the Group's hedging activities were undertaken through embedded instruments and 30% through stand alone swaps. All of the Group's swap transactions allow social housing assets to be used as collateral to cover mark to market positions.

The Group maintains a formal counterparty policy in respect of those organisations from which it will borrow, or with which it will enter into other finance arrangements and derivative transactions. Similarly, on investments, the Group regards the prime objective of its treasury management activity to be the security of the principal sums invested. Accordingly, it ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited.

4. Free-standing derivative instruments

Governance

The Group Board is responsible for the effective governance of the Group, while day to day management is delegated to the Group Executive Team.

The Group Board currently comprises eight Non Executive Directors and three Executive Directors. The Group has adopted and complies with the requirements of the National Housing Federation Code of Governance.

The Board has undergone some change in its membership during the year. In April 2012 two new non executive members joined the Group Board; and in February and May 2013 two further members joined from elsewhere in the Group.

The Group has continued to encourage and foster greater resident involvement in its decision making structures. It has set up structures which allow residents to be active in scrutinising the performance of the Group in delivering local services and creating opportunities for involvement in local neighbourhoods. This is achieved at local level by working closely with resident area panels, at regional level through

regional scrutiny boards, and at national level through the recently established National Residents' Council. The Board's proposals were developed with the help of residents' representatives and have created the opportunity for many more residents to become active in the Group's work.

The key responsibilities of the Group Board are to lead, control and monitor the overall performance of the Group. Landlord services are delivered by Affinity Sutton Homes. The Group Board approves the budgets and business plans of its subsidiaries and retains control through the ability to appoint and remove subsidiary board members. The Group delegates specific responsibilities to Group Committees under approved terms of reference. During the year the responsibilities of the Remuneration and Nominations Committee were separated and now five Committees cover:

- Audit;
- Remuneration;
- Nominations;
- Treasury; and
- Project Approval.



“The Group has continued to encourage and foster greater resident involvement in its decision making structures.”



Pay and Reward

The Remuneration Committee sets the pay of the Executive Directors at a level to attract and retain the talent required to lead the Group. In doing this it takes into account comparable evidence and benchmarking data from a range of sources both within and outside the sector. The Board aims not to pay the highest salaries in the market but instead to offer a competitive package of salary plus other pay and non-pay benefits. From 1 April 2012 pay rates increased by 2.5% for all Directors and staff, reflecting prevailing conditions in the wider market.

The pension schemes available to the Executive Directors are offered on the same terms as to all other staff. All Executive Directors and staff participate in a non-consolidated bonus scheme. As part of this package the Group offers bonuses at all levels, with payment dependent on performance

against customer satisfaction and financial criteria along with team-based targets. In the case of Group Executive Directors, this is designed to reward personal performance against objectives and business targets.

We remain committed to transparency in our arrangements for senior executive pay, and the Committee has already adopted many of the principles included in the Fair Pay Code proposed by the Hutton Report on Fair Pay in the Public Sector. Our intention is to proceed to full implementation of the remainder of the Code, or of any alternative measures introduced as legislative requirement or promoted as good practice, when these are determined and a timetable is published. In the meantime we have reported the ratio of the Chief Executive's earnings to average staff earnings on page 18.

The emoluments of the Non Executive and Executive directors (excluding pension contributions and pay in lieu of pension contributions) of Affinity Sutton Group Limited, who served during the year, were as follows:

Director	Role	2012/13				2011/12
		Salary £	Fee £	Other benefits £	Total £	Total £
NON EXECUTIVE DIRECTORS						
Neil Goulden ¹	Group Chairman, Chair of Nominations Committee from 21 January 2013	-	-	-	-	-
Mike Herring	Group Vice Chairman from 26 July 2012	-	14,600	-	14,600	13,775
Helen Bailey ²	Chair of Remuneration Committee from 20 September 2012	-	4,500	-	4,500	-
Nick Jones ³		-	9,375	-	9,375	8,625
Sue Killen ⁴		-	9,000	-	9,000	-
Simon Neville ⁵		-	5,850	-	5,850	5,400
Jonathan Paine ⁶	Chair of Audit Committee	-	11,250	-	11,250	8,813
Colin Sturgeon	Chair of Treasury Committee	-	11,250	-	11,250	10,688
Pat Berry ⁷	Group Vice Chairman until 26 July 2012	-	4,867	-	4,867	13,775
Mark Haysom CBE ⁸		-	3,750	-	3,750	8,250
Peter Reynolds ⁹		-	1,500	-	1,500	8,250
Joyce Batten ¹⁰		-	-	-	-	3,500
Desmond Begley ¹⁰		-	-	-	-	3,500
Peter Berry ¹¹		-	-	-	-	6,750
Alan Forbes ¹¹		-	-	-	-	6,750
EXECUTIVE DIRECTORS						
Keith Exford	Group Chief Executive	236,910	-	46,680	283,590	276,823
Mark Washer	Group Finance Director, Chair of Project Approval Committee	151,210	-	37,943	189,153	193,490
Kerry Kyriacou	Group Development Director	150,761	-	38,994	189,755	185,821
Jonathan Cawthra	Group Resources Director	100,972	-	28,605	129,578	128,823
Neil McCall	Group Operations Director	152,322	-	30,961	183,283	165,977
Clare Miller	Group Director of Governance and Compliance	115,674	-	29,228	144,902	138,506
Michelle Reynolds ¹²	Group Commercial Director	25,674	-	2,500	28,174	-
Mark Perry ¹³	Group Commercial Director	82,941	-	25,281	108,223	146,732
Nick Dudman ¹⁴	Group Asset Management Director	-	-	-	-	175,260

1. Remuneration not drawn.
2. Remuneration ceased to be drawn from 20 November 2012. Previously, her remuneration was paid to Local Partnerships to whom she was seconded from HM Treasury.
3. Appointed to Group Board 1 February 2013. Remuneration includes period as Non Executive director of Affinity Sutton Homes.
4. Remuneration paid to her employer, St John Ambulance.
5. Appointed to Group Board 1 May 2013. Remuneration relates to previous role as member of Treasury Committee.
6. Remuneration paid to his employer, NM Rothschild & Sons Limited.

7. In post for part of 2012/13 only: resigned 26 July 2012.
8. In post for part of 2012/13 only: resigned 23 August 2012.
9. Passed away 23 May 2012.
10. In post for part of 2011/12 only: resigned 28 July 2011.
11. In post for part of 2011/12 only: resigned 30 September 2011.
12. Remuneration only covers period from appointment as Group Commercial Director on 1 January 2013.
13. In post for part of 2012/13 only: resigned 31 December 2012.
14. In post for part of 2011/12 only: left 31 March 2012. Includes a redundancy payment of £45,000.

Statement of the Board's responsibilities in respect of the report of the Board and the financial statements

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

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

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

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



The Group's system of internal controls

Responsibility

The Board of Affinity Sutton Group Limited is the ultimate governing body for the Group and is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist across the Group which focus on the significant risks that threaten the Group's ability to meet its objectives, and provide reasonable assurance for the safeguarding of assets. The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements;
- Written Group-wide financial regulations and delegated authorities, which were subject to review during the year;
- Policies and procedures for all key areas of the business. These are reviewed periodically to ensure their continued appropriateness;
- A Group-wide Internal Audit function, structured to deliver the Audit Committee's three-year risk-based strategic audit plan, quality assurance and value for money. As well as having an in-house team, the Group uses the services of professional firms of auditors and other specialists as necessary. All audit reports are reviewed by the Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations. Detailed reports on the Group's and subsidiaries' activities are also presented to senior managers so that recommendations for strengthened controls and improvement can be implemented promptly;
- A Group-wide Health and Safety function. The Group retained the Royal Society for the Prevention of Accidents (RoSPA) Gold Awards for the management of Health and Safety;
- Management structures providing balance and focus within the Group;
- A Group-wide risk management function, which seeks to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Group or its subsidiaries. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks;

- The Group and its subsidiaries have annual budgets and long-term business plans. Throughout the year, Boards and managers regularly monitored performance against budgets and other indicators. An important tool in this process is the Group's Balanced Scorecard which identifies performance against key performance indicators, underpinned by supporting performance indicators and management information;
- Regulatory requirements and service objectives with managers ensuring that variances are investigated and acted upon;
- An anti-fraud culture which is supported by a policy and procedure for dealing with suspected fraud and whistleblowing. The Group participated in the 2012/13 National Fraud Initiative sponsored by the Audit Commission;
- All housing investment decisions and major commitments were subject to appraisal and approval by the Group Project Approval Committee and, when appropriate Group Executive Team and the relevant Board, in accordance with the Group's financial regulations; and
- A Group-wide treasury management function reporting at least three times a year to the Group Treasury Committee.

The Group Chief Executive and senior subsidiary managers have reviewed the internal control and assurance arrangements by reference to checks on the above and a report has been made to the respective Boards on the effectiveness of the control systems for the year ended 31 March 2013 and up to the date of approval of the Annual Report and the Financial Statements. The Group Audit Committee and the Group Board have expressed their satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.



Going Concern

After reviewing the Group's budget for 2013/14 and those of its subsidiaries, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that Affinity Sutton Group Limited has adequate resources to continue in operational existence for the foreseeable future.

Auditors

KPMG LLP have expressed their willingness to continue in office as the Group's auditors. Accordingly a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Neil Goulden
Group Chairman
11 July 2013



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY SUTTON GROUP LIMITED

We have audited the financial statements of Affinity Sutton Group Limited for the year ended 31 March 2013 set out on pages 29 to 70. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 25, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and the Association as at 31 March 2013 and of the Group surplus and Association result for the year then ended; and
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

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

**Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor**

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

15 July 2013

GROUP AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

Group

		2013			2012
	Notes	Group excluding Interests in Joint Ventures £'000	Interests in Joint Ventures £'000	Group £'000	Group £'000
Turnover	2(a)	290,589	14,419	305,008	273,027
Cost of sales	2(a)	(21,993)	(12,731)	(34,724)	(22,658)
Operating costs	2(a)	(163,622)	-	(163,622)	(155,101)
Exceptional item	2(a)	-	-	-	(4,267)
Operating surplus	2(a)	104,974	1,688	106,662	91,001
Surplus on disposal of properties	2(a)	2,158	-	2,158	190
Interest receivable and similar income		559	-	559	1,901
Interest payable and similar charges	5	(48,693)	(68)	(48,761)	(47,227)
Other finance income/(cost)	24	(228)	-	(228)	162
Surplus on ordinary activities before taxation	6	58,770	1,620	60,390	46,027
Tax (charge)/credit on surplus on ordinary activities	7	(20)	-	(20)	161
Surplus for the year	19	58,750	1,620	60,370	46,188

All operations are continuing.

Association

	Notes	2013 £'000	2012 £'000
Turnover	2(a)	62,359	60,368
Operating costs	2(a)	(62,152)	(59,999)
Operating surplus	2(a)	207	369
Deficit on disposal of other fixed assets	2(a)	-	(105)
Interest receivable and similar income		7	6
Interest payable and similar charges	5	(91)	(96)
Surplus on ordinary activities before Gift Aid and taxation		123	174
Payment under Gift Aid to charitable subsidiary		(160)	(460)
Deficit on ordinary activities before taxation	6	(37)	(286)
Tax (charge)/credit on deficit on ordinary activities	7	37	(153)
Surplus/(deficit) for the year	19	-	(439)

All operations are continuing.

There were no other recognised gains and losses, other than those in the Income and Expenditure Account, in either the current or preceding year.

GROUP STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Surplus for the financial year		60,370	46,188
Actuarial gains/(losses) on pension schemes	24	1,418	(17,210)
Unrealised surplus/(deficit) on revaluation of properties	9	(1,515)	130
Total recognised surplus for the year		60,273	29,108

GROUP AND ASSOCIATION BALANCE SHEETS AS AT 31 MARCH 2013

	Notes	Group		Association	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Tangible fixed assets					
Housing properties	8	1,526,825	1,427,793	-	-
Non-housing fixed assets	9	40,688	42,504	5,226	4,364
Fixed asset investments	10	26,394	24,420	350	350
Investment in joint ventures					
– share of gross assets	11	83,389	80,331	-	-
– share of gross liabilities	11	(69,035)	(68,307)	-	-
Total tangible fixed assets		1,608,261	1,506,741	5,576	4,714
Current assets					
Stock	12	49,321	24,857	-	-
Debtors	13	20,764	34,421	2,625	3,139
Debtors falling due after more than one year	13	3,590	903	-	-
Cash at bank and in hand		87,466	95,478	-	1,470
		161,141	155,659	2,625	4,609
Current liabilities					
Creditors: amounts falling due within one year	14	(60,268)	(53,652)	(5,315)	(4,437)
Provisions for liabilities and charges	17	-	(6,500)	-	-
Net current assets/(liabilities)		100,873	95,507	(2,690)	172
Total assets less current liabilities		1,709,134	1,602,248	2,886	4,886
Creditors: amounts falling due after more than one year	15	1,214,327	1,163,963	3,500	5,500
Provisions for liabilities and charges					
Pension liabilities	17	35,665	40,127	-	-
Other provisions	17	711	-	-	-
Capital and reserves					
Share capital	18	-	-	-	-
Revaluation reserve	19	5,300	6,815	-	-
Restricted reserves	19	-	3	-	-
Income and expenditure account	19	453,131	391,340	(614)	(614)
		1,709,134	1,602,248	2,886	4,886

The financial statements were approved by the Board and were signed on their behalf by:

Neil Goulden
Group Chairman

Mark Washer
Group Finance Director

Clare Miller
Company Secretary

11 July 2013

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013		2012	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	23(i)		114,068		106,411
Returns on investments and servicing of finance					
Interest received and similar income		559		1,901	
Interest paid and similar charges		(53,834)		(50,998)	
Set-up costs paid		(1,275)		-	
Net cash outflow			(54,550)		(49,097)
Taxation					
Corporation tax paid		(10)		(156)	
Net cash outflow			(10)		(156)
Capital expenditure and financial investments					
Expenditure on housing properties		(164,711)		(190,562)	
Grants received for housing properties		42,564		42,460	
Expenditure on other fixed assets		(3,574)		(7,041)	
Sale of housing properties		8,474		4,636	
Increase in fixed asset investments		(1,974)		(5,595)	
Net cash outflow			(119,221)		(156,102)
Net cash outflow before management of liquid resources and financing			(59,713)		(98,944)
Financing					
Housing loans drawn/(repaid)	23(ii)	(195,098)		49,121	
Bond issued	23(ii)	247,280		-	
Repayment of finance leases	23(ii)	(357)		(314)	
Net cash inflow			51,825		48,807
Decrease in net cash	23(ii)		(7,888)		(50,137)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice (SORP): Accounting by registered social housing providers: Update 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012 ("the Accounting Direction").

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Affinity Sutton Group Limited's ("the Group") financial statements.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting, modified by the revaluation of investment properties.

Going concern

On the basis of their assessment of the Group's financial position and resources, the Board believe that the Group is well placed to manage its business risks. Therefore the Group's Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The Group has provided confirmation of support to one of its joint ventures, Linden/Downland Graylingwell LLP, for at least twelve months after their financial statements for the year ended 31 March 2013 are signed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all members of the Group as at 31 March 2013, using merger and acquisition accounting where appropriate. The Group's share of its joint ventures is included using the gross equity method.

Turnover

Rental and service charge income from residential and commercial properties is recognised in the Income and Expenditure Account when it falls due. Grants receivable from local authorities in respect of revenue are credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Sales of properties developed for the open market are recognised on legal completion. Turnover also includes receipts from the sale of the first tranche of shared ownership properties.

Disposals include any sales of shared ownership property subsequent to the first tranche.

Housing properties

Completed housing properties are shown on the Balance Sheet at cost, which is their purchase price, together with incidental costs of acquisition and capitalised repairs and improvements.

Major repairs are capitalised on a component level, to the extent that they are either a full replacement of the previous component, or an enhancement to the existing component which will reduce future repair costs, extend the life of the property or result in increased rental income. Major repairs are charged to the Income and Expenditure Account as incurred in other circumstances.

No provisions are made for future major repairs as future maintenance expenditure is fully provided in the Group's long-term business plan.

Housing properties in the course of construction are stated at cost of works, plus directly attributable development staff costs and interest capitalised during the construction of the property, calculated by reference to the Group's average cost of borrowing.

The Group has a land banking policy which may involve the purchase of land or sites without planning consent or grant allocation. Land bank expenditure is stated at the lower of cost and net realisable value, and classified as 'Housing Properties in the course of construction'. No attributable development staff costs or interest costs are capitalised on land banking.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

1. Accounting policies (continued)

Depreciation

Depreciation is charged so as to write down the cost of housing properties (net of grants) over their estimated useful lives. The cost of properties is composed of the following components, which are depreciated in a straight line over the following number of years:

Structure	100 years
Bathrooms	30-35 years
Boilers	15 years
Other heating	30 years
Electrics	30-35 years
Kitchens	20-25 years
Lifts	20-35 years
Roofs – flat	15-20 years
Roofs – pitched	50-55 years
Windows and doors	30-35 years
Other	10 years

Depreciation is charged on a straight line basis over the expected useful economic lives of the other fixed assets at the following annual rates:

Freehold offices	40-50 years
Leasehold office properties	Over the period of the lease
Office furniture and equipment	4-20 years
Computer equipment and software	3-10 years
Motor vehicles owned	3-4 years
Motor vehicles leased	Over the period of the lease

No depreciation is provided in respect of investment properties. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate these would not give a true and fair view and that it is necessary to adopt SSAP19 'Accounting for Investment Properties' in order to give a true and fair view.

Impairment

For assets with a remaining economic life greater than 40 years an impairment review is carried out on an annual basis in accordance with FRS11 'Impairment of Fixed Assets and Goodwill'. For those with a lower economic life an impairment review is undertaken when there is an indication the asset may be impaired. An impairment charge is taken to the Income and Expenditure Account when it is assessed that the holding value of a fixed asset is higher than both the net realisable value and the value in use, in which case the higher of these two values is taken.

Investment properties

The Group has an interest in the freeholds of certain properties. These are treated under SSAP19 as investment properties.

The freeholds are deemed investment properties because these are held for the purpose of:

- ensuring a continuing ground rent income; and
- guaranteeing future management income.

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve.

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 amount of the grant receivable.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, such as if the properties to which the grant was designated cease to be used for the provision of affordable rental accommodation.

Two percent of Social Housing Grant received is recognised in revenue, in order to offset development costs which the Group is not permitted to capitalise under FRS15 'Tangible Fixed Assets'.

Other grants

These include grants from local authorities and other organisations. The capital cost of housing properties is stated net of grants receivable on the 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.

Recycled Capital Grant Fund

The Group has the option to recycle Social Housing Grant which would otherwise be repayable, for use on new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused recycled capital grant held within the fund, which it is anticipated will not be used within one year, is disclosed in the Balance Sheet under 'creditors due after one year'. The remainder is included under 'creditors due within one year'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

1. Accounting policies (continued)

Disposal Proceeds Fund

The Disposal Proceeds Fund arises from the net proceeds of sales funded by Voluntary Purchase Grant and must be used to provide replacement properties. The fund is included within creditors as required by the Accounting Direction.

Fixed asset investments

Fixed asset investments are recognised at the lower of the investment made and the net realisable amount. Investments are assessed annually for impairment by reference to forecasts and, where investments attract interest, the interest receivable in a period is only recognised to the extent that there is a reasonable expectation that it will be recoverable when due. Dividends are accounted for on a receivable basis.

Stock

The cost of stock includes acquisition and development costs together with directly attributable capitalised interest and administration cost. Stock is stated at the lower of cost and net realisable value.

The first tranche proportion of shared ownership properties is shown as stock with the remainder shown as housing properties.

Leased assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Income and Expenditure Account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the Income and Expenditure Account on a straight line basis over the life of the lease.

Taxation

Aashyana Housing Association Limited, Affinity Sutton Community Foundation and Affinity Sutton Homes Limited almost wholly undertake charitable activities which are exempt from corporation tax. The remaining members of the Group, and the joint ventures in which the Group has a share, are liable to corporation tax at the prevailing rate of taxation.

Deferred tax

Full provision is made for timing differences which have arisen at the balance sheet date where material. Amounts recognised in respect of deferred tax are discounted.

Value Added Tax

For the majority of the Group's members, Value Added Tax (VAT) affairs are dealt with under a Group registration in the name of Affinity Sutton Group Limited. The Group recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT with non attributable tax recovered being credited against management expenses.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the Balance Sheet at the amount of net proceeds. Financial costs relating to new loans are deducted from the loan and amortised over the term of the loan at a constant rate on the carrying value.

Financial costs relating to the renegotiation of existing facilities are amortised over the remaining life of the facility where permitted by FRS4 'Capital Instruments', or otherwise are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

1. Accounting policies (continued)

Pension costs

The Group participates in six defined benefit and one defined contribution pension scheme.

The assets of the schemes are held separately from those of the Group. Contributions to pension schemes are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the Income and Expenditure Account over the periods during which the Group benefits from the employees' services. Lump sum payments are being made to reduce the deficits in schemes closed to new entrants.

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 surpluses and deficits, actuarial gains and losses.

Restricted and designated reserves

Restricted Reserves represent unspent funds received for specific purposes from external organisations. Restricted Reserves are only expendable in respect of the projects for which they are received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

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

2(a) Particulars of turnover, cost of sales, operating costs and operating surplus

Group

	2013			2012		
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating surplus £'000
Social housing activities						
Social housing lettings (note 2b)	248,153	-	(142,501)	105,652	228,807	92,235
Development for sale – social						
Shared ownership first tranche sales	16,942	(14,908)	(393)	1,641	14,645	2,495
Impairment write back	-	-	-	-	-	271
Total	16,942	(14,908)	(393)	1,641	14,645	2,766
Other social housing activities						
Charges for support services	3,030	-	(2,998)	32	1,527	5
Supporting people contract income	1,118	-	(1,093)	25	2,061	6
Development costs not capitalised	612	-	(4,347)	(3,735)	614	(1,830)
Community Investment	319	-	(4,856)	(4,537)	811	(2,700)
Other	5,675	-	(4,500)	1,175	4,897	1,097
Total	10,754	-	(17,794)	(7,040)	9,910	(3,422)
Total social housing activities	275,849	(14,908)	(160,688)	100,253	253,362	91,579
Non-social housing activities						
Development for sale – non-social						
Outright sales on the open market	8,325	(7,085)	(83)	1,157	5,377	418
Outright sales on the open market – joint ventures	14,419	(12,731)	-	1,688	6,951	218
Impairment write back	-	-	-	-	-	326
Total	22,744	(19,816)	(83)	2,845	12,328	962
Other non-social housing activities						
Income and expenditure from lettings	1,392	-	(358)	1,034	1,317	771
Income relating to commercial tenancies	2,304	-	(574)	1,730	2,294	1,407
Other	2,719	-	(1,919)	800	3,726	549
Total	6,415	-	(2,851)	3,564	7,337	2,727
Total social and non-social housing before exceptional item	305,008	(34,724)	(163,622)	106,662	273,027	95,268
Impairment – loan write down from joint venture	-	-	-	-	-	(4,267)
Total social and non-social housing	305,008	(34,724)	(163,622)	106,662	273,027	91,001
Surplus on disposal of properties	8,674	(5,643)	(873)	2,158	6,458	190
Interest receivable				559		1,901
Interest payable				(48,761)		(47,227)
Other finance income/(cost)				(228)		162
Surplus on ordinary activities before taxation				60,390		46,027

Association

The Association's turnover includes corporate recharges to operating companies and income for information management and development services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

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

2(b) Particulars of income and expenditure from social housing lettings

Group	General Needs Housing £'000	Supported Housing/ Housing for older people £'000	Shared Ownership Accommo- dation £'000	Other £'000	Total 2013 £'000	Total 2012 £'000
Income						
Rent receivable net of identifiable service charges	203,179	17,896	6,101	4,016	231,192	212,673
Garage rents	937	–	–	–	937	981
Service charge income	8,462	4,368	1,347	1,794	15,971	15,113
Other revenue grants	10	43	–	–	53	40
Turnover from social housing lettings	212,588	22,307	7,448	5,810	248,153	228,807
Expenditure						
Management	(24,597)	(3,978)	(197)	(1,759)	(30,531)	(28,984)
Service charge costs	(14,957)	(2,921)	(400)	(2,059)	(20,337)	(18,630)
Routine maintenance	(31,657)	(2,539)	(1)	(256)	(34,453)	(34,714)
Planned maintenance	(14,098)	(1,541)	–	(60)	(15,699)	(13,468)
Major repairs expenditure	(13,672)	(758)	–	(95)	(14,525)	(15,294)
Bad debts	(1,439)	(117)	(2)	(109)	(1,667)	(2,125)
Depreciation of housing properties	(22,543)	(2,383)	–	(348)	(25,274)	(22,062)
Impairment of housing properties: write back	1,115	–	–	–	1,115	–
Other costs	(1,101)	(29)	–	–	(1,130)	(1,295)
Operating costs on social housing lettings	(122,949)	(14,266)	(600)	(4,686)	(142,501)	(136,572)
Operating surplus on social housing lettings	89,639	8,041	6,848	1,124	105,652	92,235
Void losses	2,715	1,445	498	374	5,032	4,356

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

3. Directors' emoluments

The directors are defined for the purposes of emoluments as the Chief Executive, any person with the title of Group Director and any person reporting directly to the Chief Executive or directly to the Board.

The emoluments were as follows:

	2013	2012
	£'000	£'000
Non executive directors	76	84
Executive directors	1,257	1,366
Compensation for loss of office	-	45
Pension contributions, or pay in lieu thereof, in respect of services as directors	131	106
	1,464	1,601

	2013	2012
	£	£
Highest paid director	283,590	276,823
Pension contributions, and pay in lieu thereof, of the highest paid director	13,404	14,144

	2013	2012
	£'000	£'000
Expenses reimbursed to directors not chargeable to United Kingdom income tax	15	13

In line with all other employees, the executive directors received a 2.5% cost of living increase on 1 April 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

4. Employee information

The average monthly number of persons, including executive directors, employed during the year was:

	Group		Association	
	2013 Number	2012 Number	2013 Number	2012 Number
Full time equivalent	1,434	1,277	1,117	1,075

Full time equivalents are based on a standard working week, which varies between 35 and 42 hours, but is 36 hours for most employees, including all of the Association's.

During the year Affinity Sutton Labour Agency Limited started trading, which has increased full time equivalent staff numbers by 112 over the prior year.

Staff Costs:	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Wages and salaries	47,410	42,083	37,892	35,657
Social security costs	4,434	3,969	3,489	3,327
Pension costs	3,700	4,038	3,695	3,429
	55,544	50,090	45,076	42,413

The number of employees, including executive directors, whose total remuneration (excluding employer pension contributions, or pay in lieu thereof, and compensation for loss of office) exceeds £60,000 per annum is as follows:

	Group	
	2013 Number	2012 Number
£280,000 to £289,999	1	–
£270,000 to £279,999	–	1
£190,000 to £199,999	–	1
£180,000 to £189,999	3	1
£160,000 to £169,999	–	1
£140,000 to £149,999	1	1
£130,000 to £139,999	–	1
£120,000 to £129,999	1	1
£110,000 to £119,999	1	–
£100,000 to £109,999	6	4
£90,000 to £99,999	5	7
£80,000 to £89,999	7	6
£70,000 to £79,999	11	10
£60,000 to £69,999	34	32
	70	66

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

5. Interest payable and similar charges

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Interest on loans and overdrafts	52,404	50,133	1	1
Interest on intercompany loan	-	-	81	87
Interest payable on finance leases	324	343	-	-
Other charges	1,174	522	9	8
	53,902	50,998	91	96
Less: interest capitalised	(5,141)	(3,771)	-	-
	48,761	47,227	91	96

Interest is capitalised on properties under construction using the Group's weighted average interest rate for borrowings of 4.32% (2012: 4.42%).

6. Surplus/deficit on ordinary activities before taxation

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Surplus/deficit on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation	29,152	25,506	1,425	1,383
Reversal of impairment of housing properties	(1,115)	(597)	-	-
Charitable donations	44	28	43	27
Operating lease rentals	3,170	3,885	1,903	1,704
(Surplus)/deficit on disposal of non-housing fixed assets	(49)	156	-	-
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Auditors remuneration (including VAT)				
– in capacity as auditors	138	148	31	21
– other services	77	138	77	124
	215	286	108	145

The above audit fee for the Association only is as quoted by the auditor.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

7. Taxation

Analysis of charge/(credit) in period

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current tax				
Current tax on income for the period	32	(90)	10	–
Adjustment in respect of prior periods	(58)	302	(47)	153
	(26)	212	(37)	153
Deferred tax (see note 13):				
Origination and reversal of timing differences	46	(373)	–	–
	20	(161)	(37)	153

Factors affecting the tax charge/(credit) for the period:

The company pays over the majority of its taxable profit to its subsidiary undertaking, Affinity Sutton Homes Limited, under the Gift Aid scheme. This arrangement is likely to remain in place for the foreseeable future.

The current tax charge/(credit) for the Group for the period is less than 24% (2012: greater than 26%), the main rate of corporation tax in the UK. The current tax charge/(credit) for the Association for the period is less than 24% (2012: greater than 26%), the main rate of corporation tax in the UK. The differences are explained below:

Current tax reconciliation

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Surplus/(deficit) on ordinary activities before tax	60,390	46,027	(37)	(286)
Current tax at 24% (2012: 26%)	14,494	11,967	(9)	(74)
Effects of:				
Adjustment in respect of prior period	(58)	302	(47)	153
Charitable surpluses not taxed	(14,455)	(12,179)	–	–
Expenses not deductible for tax purposes	18	95	12	61
Capital allowances for the period in excess of depreciation	(1)	2	7	–
Utilisation of tax losses	(33)	–	–	–
Unrealised tax losses arising in period	10	25	–	13
Entities charged at the lower rate of 20%	(1)	–	–	–
Total current tax charge/(credit) (see above)	(26)	212	(37)	153

Factors that may affect future tax charges:

The main rate of UK corporation tax (effective from 1 April 2013) that was substantively enacted at the balance sheet date was 23%. In the March 2013 Budget, the UK government announced that the main rate will reduce to 20% over the following two years, and this will reduce the Group's and the Association's future current tax charge accordingly. There are no other factors that may significantly affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

8. Housing properties – Group

	Housing Properties £'000	Shared Ownership Properties £'000	Housing Properties in the course of construction £'000	Shared Ownership in the course of construction £'000	Commercial Properties £'000	Total £'000
Cost						
At 1 April 2012	2,260,092	161,398	103,553	27,609	987	2,553,639
Additions	45,874	–	94,630	21,932	946	163,382
Schemes completed	83,522	17,536	(83,522)	(17,536)	–	–
Transfer from current assets	–	416	–	–	–	416
Change of tenure	619	(619)	–	–	–	–
Disposals (including replaced components)	(10,882)	(3,049)	–	–	–	(13,931)
At 31 March 2013	2,379,225	175,682	114,661	32,005	1,933	2,703,506
Social Housing Grant						
At 1 April 2012	(791,263)	(37,063)	(28,078)	(2,827)	–	(859,231)
Received in year	–	–	(27,780)	(3,169)	–	(30,949)
Schemes completed	(29,025)	(3,677)	29,025	3,677	–	–
Change of tenure	(36)	36	–	–	–	–
Eliminated on disposals	604	756	–	–	–	1,360
At 31 March 2013	(819,720)	(39,948)	(26,833)	(2,319)	–	(888,820)
Other grants						
At 1 April 2012	(42,245)	(1,302)	(12,977)	(43)	–	(56,567)
Received in year	(2,094)	–	(3,960)	(316)	–	(6,370)
Schemes completed	(12,295)	(359)	12,295	359	–	–
Eliminated on disposals	25	24	–	–	–	49
At 31 March 2013	(56,609)	(1,637)	(4,642)	–	–	(62,888)
Depreciation and impairment						
At 1 April 2012	(207,122)	(1,712)	(1,183)	–	(31)	(210,048)
Charge for the year	(25,274)	–	–	–	(3)	(25,277)
Impairment	–	–	1,115	–	–	1,115
Eliminated on disposals	9,237	–	–	–	–	9,237
At 31 March 2013	(223,159)	(1,712)	(68)	–	(34)	(224,973)
Net book value						
At 31 March 2013	1,279,737	132,385	83,118	29,686	1,899	1,526,825
Net book value At 31 March 2012	1,219,462	121,321	61,315	24,739	956	1,427,793

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

8. Housing properties – Group (continued)

	2013 £'000	2012 £'000
Housing Properties comprise		
Freeholds	1,495,446	1,396,097
Long leaseholds	31,379	31,696
	1,526,825	1,427,793

Development and major works additions and improvements to housing properties during the year include capitalised interest of £5.1 million (2012: £3.8 million) and capitalised administration costs of £4.0 million (2012: £4.3 million).

Total expenditure in 2013 on works to existing properties was £61.3 million (2012: £62.6 million) of which £46.8 million (2012: £46.9 million) has been capitalised.

9. Non-housing fixed assets

Group	Freehold Offices £'000	Leasehold Offices £'000	Office Equipment & Motor Vehicles £'000	Investment Properties £'000	Total £'000
Cost/Valuation					
At 1 April 2012	25,395	1,305	43,273	8,961	78,934
Additions	431	–	3,143	–	3,574
Reclassifications	(413)	413	–	–	–
Disposals	–	–	(77)	–	(77)
Revaluation	–	–	–	(1,515)	(1,515)
At 31 March 2013	25,413	1,718	46,339	7,446	80,916
Depreciation					
At 1 April 2012	(5,440)	(750)	(30,240)	–	(36,430)
Charge for the year	(599)	(133)	(3,143)	–	(3,875)
Reclassifications	4	(4)	–	–	–
Eliminated on disposals	–	–	77	–	77
At 31 March 2013	(6,035)	(887)	(33,306)	–	(40,228)
Net book value					
At 31 March 2013	19,378	831	13,033	7,446	40,688
Net book value					
At 31 March 2012	19,955	555	13,033	8,961	42,504

The investment properties were valued as at 31 March 2013 by Jones Lang LaSalle Ltd, Chartered Surveyors, on the basis of Market Value, as defined in "RICS Valuation – Professional Standards – Global & UK", March 2012.

The main assumption of the valuation was a capitalised ground rental income at a yield of 6.0% in accordance with evidence of transactions in comparable property. Other aspects of the valuation include commission earned for insuring the total portfolio through a broker using an investment yield of 20%. This assumption is in accordance with Leasehold Valuation Tribunal decisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

9. Non-housing fixed assets (continued)

Association

	Office Equipment & Motor Vehicles £'000
Cost	
At 1 April 2012	10,931
Additions	2,289
Transfers to other Group members	(2)
At 31 March 2013	13,218
Depreciation	
At 1 April 2012	(6,567)
Charge for the year	(1,425)
At 31 March 2013	(7,992)
Net book value At 31 March 2013	5,226
Net book value At 31 March 2012	4,364

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

10. Fixed asset investments

Group	2013	2012
	£'000	£'000
72 Farm Lane Developments LLP	39	–
261 City Road Developments LLP	21	–
Linden/Downland Graylingwell LLP	24,277	20,550
Ramsden Regeneration LLP	–	702
Wilmington Regeneration LLP	–	1,111
Durand Close Equity Loans	374	374
Wilmington Way Equity Loans	1,683	1,683
	26,394	24,420

72 Farm Lane Developments LLP & 261 City Road Developments LLP

The Group has capitalised costs incurred in relation to its investments in these LLPs.

	2013	2012
	£'000	£'000
Linden/Downland Graylingwell LLP		
At the beginning of the year	20,550	19,861
Net drawdowns by the LLP	3,727	3,693
Interest receivable	–	1,263
Impairment	–	(4,267)
At the end of the year	24,277	20,550

Funds have been advanced by the Group to Linden/Downland Graylingwell LLP ("Graylingwell"), a joint venture between Downland Regeneration Limited and Linden Limited (a subsidiary of Galliford Try plc). Graylingwell undertakes the development of a former Homes and Communities Agency site in Chichester, West Sussex.

The investment is made by way of a subordinated loan attracting interest at 9%. Payment of the interest is deferred until completion of the project. Interest receivable is accrued to the extent that there is a reasonable expectation that it can be received in line with the terms of the loan, which dictate that loan principal is payable before loan interest.

As at 1 April 2011, the Group considered the recoverability of the capital and interest and reached the conclusion (based on forecasts of the property market at the time) that although no impairment was required, interest would only be accrued at 4.5% in 2011/12. At 31 March 2012, a further assessment was made and it was determined that no interest would be recognised from 1 April 2012 and that furthermore an impairment provision of £4,267,000 should be made. The recoverability was again considered as at 31 March 2013 and no further impairment or change in the recognition of interest was deemed to be necessary.

	2013	2012
	£'000	£'000
Ramsden Regeneration LLP		
At the beginning of the year	702	989
Net repayments by the LLP	(744)	(319)
Interest receivable	42	32
At the end of the year	–	702

Funds were advanced by the Group to Ramsden Regeneration LLP ("Ramsden"), a joint venture between Broomleigh Regeneration Limited with Linden Limited (a subsidiary of Galliford Try plc). Ramsden undertakes the development of an existing Group site in Orpington, Kent.

During the year, Ramsden was able to repay the loan balance, including accrued interest, in full. No further drawdowns are expected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

10. Fixed asset investments (continued)

The investment was made by way of a subordinated loan attracting interest at 7.2%. Payment of the interest was deferred until completion of the project. Interest receivable was accrued to the extent that there was a reasonable expectation that it could be received in line with the terms of the loan, which dictated that loan principal was payable before loan interest.

	2013	2012
	£'000	£'000
Wilmington Regeneration LLP		
At the beginning of the year	1,111	185
Net drawdowns/(repayments) by the LLP	(1,127)	850
Interest receivable	16	76
At the end of the year	-	1,111

Funds were advanced by the Group to Wilmington Regeneration LLP ("Wilmington"), a joint venture between Downland Regeneration Limited with Linden Limited (a subsidiary of Galliford Try plc). Wilmington undertakes the development of an existing Group site in Haywards Heath, West Sussex.

During the year, Wilmington was able to repay the loan balance, including accrued interest, in full. No further drawdowns are expected.

The investment was made by way of a subordinated loan attracting interest at 7.2%. Payment of the interest was deferred until completion of the project. Interest receivable was accrued to the extent that there was a reasonable expectation that it could be received in line with the terms of the loan, which dictated that loan principal was payable before loan interest.

Durand Close Equity Loans

The Group is involved in the regeneration of Durand Close and associated sites in collaboration with the London Borough of Sutton and Rydon Construction Limited. In order to assist in the sale of new build properties at two locations, the Group has provided a number of equity loans to purchasers of up to 20% of the open market value, secured against the properties. Loans are repayable within 10 years or on the sale of the property. The loans are non-interest bearing and the amount repayable is indexed in line with the increase in the value of the properties.

Wilmington Way Equity Loans

As part of the regeneration of Wilmington Way, Haywards Heath, equity loans were provided to some existing leaseholders to assist them in purchasing a new property. The equity loans are non interest bearing. Upon the sale of their new property, or at their request, the equity loan is repayable indexed in line with the increase in the value of their new property. The loans are secured against the properties.

Association

	2013	2012
	£'000	£'000
Igloo Insurance PCC Limited (Cell ASG2)	350	350

Investment	Country of incorporation	Principal Activity	Class and % of shares held
Igloo Insurance PCC Limited (Cell ASG2)	Guernsey	Insurance	Ordinary, 100%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

11. Investment in joint ventures – Group

The undertakings in which the Group's interest at year-end is more than 20% are as follows:

Joint venture	Country of incorporation	Principal Activity	Class and % of shares held
72 Farm Lane Developments LLP ("Farm Lane")	United Kingdom	Development	Ordinary, 50%
261 City Road Developments LLP ("City Road")	United Kingdom	Development	Ordinary, 50%
Linden/Downland Graylingwell LLP ("Graylingwell")	United Kingdom	Development	Ordinary, 50%
Ramsden Regeneration LLP ("Ramsden")	United Kingdom	Development	Ordinary, 50%
Wilmington Regeneration LLP ("Wilmington")	United Kingdom	Development	Ordinary, 50%

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

	Farm Lane £'000	City Road £'000	2013 Graylingwell £'000	Ramsden £'000	Wilmington £'000	Total
Turnover	–	–	3,011	5,248	6,160	14,419
Cost of sales	–	–	(3,907)	(4,050)	(4,774)	(12,731)
Operating surplus/(deficit)	–	–	(896)	1,198	1,386	1,688
Interest payable	–	–	(68)	–	–	(68)
Surplus/(deficit) for the year	–	–	(964)	1,198	1,386	1,620

Share of:

Current assets	1,964	19,046	59,938	993	1,448	83,389
Liabilities due within one year	(14)	(6,596)	(61,505)	(287)	(633)	(69,035)
Net assets/(liabilities)	1,950	12,450	(1,567)	706	815	14,354

	Farm Lane £'000	City Road £'000	2012 Graylingwell £'000	Ramsden £'000	Wilmington £'000	Total
Turnover	–	–	5,276	–	1,675	6,951
Cost of sales	–	–	(5,331)	–	(1,402)	(6,733)
Operating surplus/(deficit)	–	–	(55)	–	273	218
Interest payable	–	–	(32)	–	–	(32)
Surplus for the year	–	–	(87)	–	273	186

Share of:

Current assets	–	15,549	60,105	2,045	2,632	80,331
Liabilities due within one year	–	(5,312)	(56,246)	(622)	(1,762)	(63,942)
Liabilities due after one year	–	–	(3,725)	(640)	–	(4,365)
Net assets	–	10,237	134	783	870	12,024

In accordance with FRS9 'Associates and Joint Ventures', these amounts have been adjusted to capitalise eligible interest costs, in line with Group accounting policy, and the results for the year have been adjusted to eliminate any amounts in relation to sales of properties to members of the Affinity Sutton Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

12. Stock – Group

	2013	2012
	£'000	£'000
Properties in the course of construction – social	12,924	12,114
Completed properties – social	445	2,355
Properties in the course of construction – non-social	33,788	10,259
Completed properties – non-social	2,164	129
	49,321	24,857

13. Debtors

	Group		Association	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Rents and service charges	16,499	18,497	–	–
Provision for bad debts	(5,755)	(5,294)	–	–
	10,744	13,203	–	–
Social Housing Grant receivable	1,892	6,884	–	–
Amounts due from Group undertakings	–	–	703	1,504
Deferred tax assets	327	373	1,922	1,635
Other debtors and prepayments	7,801	13,961	–	–
	20,764	34,421	2,625	3,139
Amounts falling due after one year				
Other debtors and prepayments	3,590	903	–	–

Deferred tax assets relate to temporary timing differences in the recognition of the Group's share of joint ventures' profits. The deferred tax asset at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's deferred tax assets accordingly.

In prior years, stock transfers took place from the London Borough of Lewisham to the Group. The Group contracted with the Council to refurbish the properties to an agreed level; the Council in turn had a commitment to the Group to have the properties refurbished. As at 31 March 2012, £6.5 million was recognised in other debtors and prepayments, due within one year, and a corresponding provision for the refurbishment liability was recognised (note 17). By 31 March 2013, the refurbishment was materially complete and so no debtor or provision was held in respect of this.

Included in other debtors and prepayments due after one year is £3,159,000 lent to 261 City Road Developments LLP (2012: £nil). Interest is charged at LIBOR plus 5.5%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

14. Creditors: amounts falling due within one year

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank overdraft	-	124	51	124
Obligations under finance leases	417	322	-	-
Trade creditors	3,281	1,725	73	338
Recycled Capital Grant Fund	197	24	-	-
Amounts due to Group undertakings	-	-	534	587
Other taxation and social security	26	10	151	-
Accruals and deferred income	38,609	38,768	3,921	2,795
Other creditors	11,283	6,919	575	593
Corporation tax	22	58	10	-
Housing loans (see note 15)	6,433	5,702	-	-
	60,268	53,652	5,315	4,437

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

15. Creditors: amounts falling due after one year

	Group		Association	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Housing loans	717,364	913,193	-	-
Loan set-up costs	(3,172)	(3,686)	-	-
Net housing loans	714,192	909,507	-	-
Bond	497,280	250,000	-	-
Bond set-up costs	(2,974)	(1,548)	-	-
Net bond	494,306	248,452	-	-
Amounts due to Group undertakings	-	-	3,500	5,500
Obligations under finance leases	3,989	4,441	-	-
Recycled Capital Grant Fund	1,599	1,519	-	-
Disposal Proceeds Fund	209	-	-	-
Other creditors	32	44	-	-
	1,214,327	1,163,963	3,500	5,500

Housing loans are secured by charges on the Group's housing properties.

	2013 £'000	2012 £'000
Housing loans are repayable, otherwise than by instalments as follows:		
Between one and two years	6,588	6,433
Between two and five years	102,178	72,790
In five years or more	608,598	833,970
	717,364	913,193

The final instalments by tranche of borrowing fall to be repaid between 2016 and 2042 (2012: between 2016 and 2040).

Loans bear fixed rates of interest ranging from 5.10% to 11.64% (2012: 5.10% to 11.64%) or variable rates based on a margin above LIBOR. Total drawn loan funding bears interest, after taking into account hedging activity, as follows:

	2013 £'000	2012 £'000
Fixed-rate	463,348	501,009
Index-linked	2,268	2,333
Floating-rate	258,181	415,553
	723,797	918,895

The Group also has two bonds of £250 million and £247.3 million (nominal value £250m, issued below par). As interest is payable on a fixed rate only, the Group has no exposure to floating interest rates and therefore undertakes no hedging activity in relation to these bonds.

The fair value of the Group's long term borrowing is £1.39 billion (2012: £1.30 billion).

At 31 March 2013, the Affinity Sutton Group has £1.66 billion of debt facilities available (2012: £1.32 billion), of which £435.0 million is undrawn (2012: £146.2 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

16. Creditors: analysis of movement on funds – Group

	2013	2012
	£'000	£'000
Obligations under finance leases		
Due less than 1 year	417	322
Due between 1 and 2 years	455	231
Due between 2 and 5 years	1,674	812
Due in 5 years or more	1,860	3,398
	4,406	4,763

	2013	2012
	£'000	£'000
Recycled Capital Grant Fund		
At the beginning of the year	1,543	897
Additions to fund due to disposals	1,205	676
Interest accrued	10	5
Utilised against new properties	(962)	(35)
At the end of the year	1,796	1,543

Amount due for repayment to the HCA and/or GLA	-	-
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	2013	2012
	£'000	£'000
Disposal Proceeds Fund		
At the beginning of the year	-	144
Additions to fund due to disposals	209	-
Utilised against new properties	-	(144)
At the end of the year	209	-

Amount due for repayment to the HCA and/or GLA	-	-
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

17. Provision for liabilities and charges – Group

	2013	2012
	£'000	£'000
Pension liabilities		
Downland Housing Group Pension & Assurance Scheme	1,788	2,624
Hertfordshire County Council Pension Fund	3,536	4,003
London Borough of Bromley Pension Fund	5,325	5,448
London Pensions Fund Authority Pension Fund	6,516	6,552
William Sutton Housing Association Final Salary Scheme	18,500	21,500
	35,665	40,127

In accordance with FRS17 'Retirement Benefits' the Group has recognised the above pension fund liabilities (see note 24).

	2013	2012
	£'000	£'000
Refurbishment provision – Lewisham estate transfers		
At the beginning of the year	6,500	19,914
Increase/(reduction) in estimated cost of works to be carried out	1,175	(5,914)
Work completed	(7,675)	(7,500)
At the end of the year	-	6,500

In prior years, stock transfers took place from the London Borough of Lewisham to the Group. The Group contracted with the Council to refurbish the properties to an agreed level; the Council in turn had a commitment to the Group to have the properties refurbished. This was recognised as the above provision and a corresponding debtor included in other debtors and prepayments (note 13).

	2013	2012
	£'000	£'000
Other provisions		
Surrender of lease	651	-
Dilapidations	50	-
Other	10	-
	711	-

The Group is seeking to end the lease at its Norris House office early, and the above provision has been made for rent and other costs for the remainder of the lease term, as well as dilapidations, and is discounted at 8% per annum.

The Group's lease on its Godalming office expires in November 2015, and the above provision has been made for work required as part of vacating the premises.

18. Share capital

	2013	2012
	£	£
Shares of £1 allotted, issued and fully paid		
At beginning of year	19	30
Net movement during the year	(2)	(11)
At the end of the year	17	19

Each member of the Group holds one £1 share. These shares carry no dividend rights and are cancelled on cessation of membership of the Group. Each member has the right to vote at members' meetings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

19. Reserves

Group	Revaluation reserve £'000	Restricted reserve £'000	Income and expenditure account £'000	Total £'000
At 1 April 2012	6,815	3	391,340	398,158
Surplus for the year – Group	–	–	58,750	58,750
Surplus for the year – interests in joint ventures	–	–	1,620	1,620
Transfer of restricted funding	–	(3)	3	–
Investment property revaluation at 31 March 2013	(1,515)	–	–	(1,515)
Actuarial gains on pension schemes	–	–	1,418	1,418
At 31 March 2013	5,300	–	453,131	458,431

Restricted funding:

	Funding received		Unspent funds	
	2013	2012	2013	2012
	£	£	£	£
Big Lottery				
Activate London Programme	10,000	57,783	–	–
London Councils				
Pathways 4 Cray	–	11,450	–	–
Stepping Up 2	27,729	55,835	–	–
Affinity Futures	38,870	89,350	–	2,632
	66,599	156,635	–	2,632
	76,599	214,418	–	2,632

Association

	Income and expenditure account £'000
At 1 April 2012	(614)
Surplus for the year	–
At 31 March 2013	(614)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

20. Capital commitments

Group

	2013	2012
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	272,032	133,228
Capital expenditure authorised by the Board not contracted for	190,810	321,450

Capital commitments contracted for but not provided for in the financial statements include the Group's share of the capital commitments of 261 City Road Developments LLP (£31,733,000; 2012: £nil), Ramsden Regeneration LLP (£395,000; 2012: £nil) and Wilmington Regeneration LLP (£1,972,000; 2012: £nil). It also includes £26,840,000 (2012: £30,000,000) for the undrawn amount of loan facilities committed to 261 City Road Developments LLP and £11,550,000 (2012: £nil) for undrawn equity committed to 72 Farm Lane Developments LLP.

Capital commitments authorised by the board but not contracted for includes £51,402,000 (2012: £61,268,000) for the Group's share of the future gross capital expenditure committed through the development agreement relating to Linden/Downland Graylingwell LLP. The development agreement allows construction programme timings to be varied. This assists the funding of expenditure commitments by enabling sales receipts to fund the construction of further units. It also includes £25,446,000 (2012: £nil) for the Group's share of capital expenditure relating to 72 Farm Lane Developments LLP, which is not yet in contract.

At the year-end the Group had £87m of cash and £435m of undrawn funding, plus £53m of the Group's grant allocation under the 2011-15 Affordable Homes Programme is expected to be received over the next two years.

Association

The Association had no capital commitments at year-end (2012: £nil).

21. Commitments under operating leases

The annual amounts payable in respect of operating leases are shown below, analysed according to the expiry date of the lease:

Group	Land and buildings		Other assets	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	138	440	204	255
Between two and five years	1,324	1,068	399	271
After five years	285	1,362	-	-
	1,747	2,870	603	526

Association

Association	Land and buildings	
	2013	2012
	£'000	£'000
Expiry date:		
Within one year	79	68
Between two and five years	1,239	900
After five years	-	376
	1,318	1,344

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2013 (continued)

22. Accommodation in management – Group

	General Needs Housing	Affordable	Supported	Shared Ownership	Leasehold	Keyworker	Student	Market Rent	Total
Number of units									
At 1 April 2012	40,157	261	4,307	2,042	8,537	625	54	124	56,107
Additions	355	101	9	165	81	–	1	1	713
Conversion to Affordable	(1,186)	1,186	–	–	–	–	–	–	–
Demolitions	(120)	–	(41)	–	–	–	–	–	(161)
Other movements	(40)	8	(34)	(43)	12	(95)	–	–	(192)
At 31 March 2013	39,166	1,556	4,241	2,164	8,630	530	55	125	56,467
								2013 Units	2012 Units
Owned and managed								54,435	53,979
Managed on behalf of others								2,032	2,128
								56,467	56,107
Managed by others								679	600

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

23. Notes to the Group Cash Flow Statement

(i) Reconciliation of operating surplus for the year to net cash flow from operating activities

	2013 £'000	2012 £'000
Operating surplus	106,662	91,001
<i>Non cash flow items:</i>		
Interests in joint ventures – surplus included	(1,688)	(186)
– distributions received	3,234	–
Depreciation	29,152	25,506
Amortisation of set-up costs	363	290
Impairment of properties: write back	(1,115)	(597)
Impairment of fixed asset investment	–	4,267
Increase in stock	(24,880)	(8,686)
Decrease in debtors	5,932	11,891
Decrease in creditors	(1,031)	(13,750)
Increase in other provisions	711	–
FRS17 'Retirement Benefits' adjustment	(3,272)	(3,325)
Net cash flow from operating activities	114,068	106,411

(ii) Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 £'000
Decrease in net cash in period	(7,888)	(50,137)
Cash (inflow)/outflow from net (increase)/decrease in housing loans	195,098	(49,121)
Cash inflow from net increase in bonds	(247,280)	–
Set-up costs paid	1,275	–
De-merger of Brighton Housing Trust	–	(407)
Repayment of finance lease	357	314
Cash outflow from investments	1,974	5,595
Change in net debt resulting from cash flows	(56,464)	(93,756)
Amortisation of set-up costs	(363)	(290)
Non cash movements	–	(4,267)
Net debt at the beginning of the year	(1,048,650)	(950,337)
Net debt at the end of the year	(1,105,477)	(1,048,650)

(iii) Reconciliation of net debt

	Net cash and overdraft £'000	Fixed asset investments £'000	Finance leases £'000	Net housing loan and bond £'000	Net debt £'000
At 1 April 2012	95,354	24,420	(4,763)	(1,163,661)	(1,048,650)
Net cash flow	(7,888)	1,974	357	(50,907)	(56,464)
Other non cash changes	–	–	–	(363)	(363)
At 31 March 2013	87,466	26,394	(4,406)	(1,214,931)	(1,105,477)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group

The Group offers new joiners participation in the Social Housing Pension Scheme, a defined benefit scheme, or a defined contribution scheme with Friends Provident.

Previously, it had offered entry to the following defined benefit schemes, all closed to new entrants from 31 August 2002:

Downland Housing Group Pension & Assurance Scheme
Hertfordshire County Council Pension Fund
London Borough of Bromley Pension Fund
London Pensions Fund Authority Pension Fund
William Sutton Housing Association Final Salary Scheme

The Group Chief Executive is an ordinary member of the Social Housing Pension Scheme and does not have any enhanced or special terms.

The details of the schemes are set out below:

Social Housing Pension Scheme (“SHPS”)

The Group participates in SHPS, a multi-employer defined benefit scheme. The scheme is funded and is contracted-out of the State Pension scheme.

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

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 address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

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

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the scheme’s assets at the date of the actuarial report was £2,327 million. The actuarial report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65.0%.

The next triennial formal valuation of the scheme is due as at 30 September 2014. The results of the valuation will be finalised by 31 December 2015.

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

Valuation discount rates	per annum
Pre-retirement	7.0%
Post-retirement – non-pensioner	4.2%
Post-retirement – pensioner	4.2%
Price inflation (RPI)	2.9%
Pensionable earnings growth	2.5%
	(for three years then 4.4%)

Pension increases	per annum
Pre 88 GMP	0.0%
Post 88 GMP	2.0%
Excess over GMP	2.4%

The valuation was carried out using the following demographic assumptions:

- Mortality pre-retirement: 41% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long-term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females
- Mortality post-retirement: 97% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long-term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

Social Housing Pension Scheme (“SHPS”) (continued)

During the accounting period the Group paid contributions at the rate of 7.5%. Member contributions varied between 8.7% and 10.7% (Final Salary 1/60th) or 5.8% and 7.8% (Career Average Revalued Earnings – “CARE” – 1/60th), depending on age.

From 1 April 2013 the Group will continue to pay contributions at the rate of 7.5%. Member contributions will vary between 10.3% and 12.3% (Final Salary 1/60th), 9.0% and 11.0% (CARE 1/60th) or 0.6% and 2.6% (CARE 1/120th, available from 1 April 2013).

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the monthly payment of deficit contributions, using pensionable salaries as at 30 September 2008 as the reference point, increasing each year by 4.7% for assumed salary growth. From 1 April 2013 to 30 September 2020 deficit contributions will be payable at 7.5% per annum, dropping to 3.1% per annum from 1 October 2020 to 30 September 2023. Additionally, from 1 April 2013 to 30 September 2026 a deficit payment of £30,640,000 annually, increasing by 3% per annum starting on 1 April 2014, will be payable monthly across all employers for the scheme as a whole.

The deficit payment payable by the Group will be £1.6m in 2013/14, rising to a maximum of £2.0m in 2019/20, before falling to £1.6m in 2020/21 and reducing further until completion in 2026/27.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the regulator could require that the trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan). A response regarding the 30 September 2011 valuation is awaited.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer’s share of the buy-out debt is the proportion of the scheme’s liability attributable to employment with the leaving employer compared to the total amount of the scheme’s liabilities (relating to employment with all the currently participating employers). The leaving employer’s debt therefore includes a share of any ‘orphan’ liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Downland Housing Group Pension & Assurance Scheme (“the Scheme”, “Downland”)

The Scheme is administered on behalf of the trustees by Scottish Life and is funded to cover future pension liabilities. The Scheme is subject to a full independent valuation every three years. The last full valuation was as at 31 March 2012 using the projected unit credit method.

The scheme has been defined as a multi-employer scheme. Accordingly the full liability has been incorporated in the Group financial statements but has not been reflected in the accounts of the individual employers: Affinity Sutton Homes Limited and Grange Management (Southern) Limited.

The Group expects to contribute approximately £588,000 for the year starting 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

Hertfordshire County Council Pension Fund (“the Fund”, “Herts Council”)

Staff who transferred from Hertsmere Borough Council to the former Ridgehill group are members of the Fund, which reflects the terms of the Local Government Pension Scheme (“LGPS”).

The latest actuarial valuation of the Fund was carried out as at 31 March 2010 by an independent actuary. The next formal valuation is due as at 31 March 2013. The valuation was under the projected unit credit method.

The Group expects to contribute approximately £934,000 for the year starting 1 April 2013.

London Borough of Bromley Pension Fund (“the Fund”, “LB Bromley”)

The Group also participates in the Superannuation Fund operated by the London Borough of Bromley as an “Admitted Body”. The Fund is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the Fund are determined by a qualified actuary on the basis of valuations using the projected unit credit method.

The last formal actuarial valuation of the Fund was as at 31 March 2010, using a set of assumptions consistent with those required under FRS17. The next formal valuation is due as at 31 March 2013.

During the year the Group contributed at the rate of 28.8% of pensionable salaries to cover the past deficit.

London Pensions Fund Authority Pension Fund (“the Fund”, “London Pensions”)

The Fund is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007 and 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

The Fund is valued every three years and the last full actuarial valuation by an independent qualified actuary took place as at 31 March 2010.

With effect from 1 April 2012 the employer contribution rate will be 17.5% of pensionable salaries for future service benefits plus an annual payment of £315,000 to cover the past service deficit.

The William Sutton Housing Association Final Salary Scheme (“the Scheme”, “William Sutton”)

The Scheme is a defined benefit funded pension scheme. The current service cost under the projected unit credit method is therefore expected to increase as the membership ages.

The most recent actuarial valuation was as at 30 September 2009.

The Group expects to contribute approximately £2.3m for the year starting 1 April 2012. The current arrangement as regards to contribution levels are described in the Schedule of Contributions dated 22 December 2010. The employer contribution shown above includes an allowance for the cost of administration expenses and PPF levies.

Friends Provident

This scheme is administered by Friends Provident and is a defined contribution scheme. The employer contribution rate payable by the Group per annum is dependent on the contribution by the employee as follows:

Employee contributes	Affinity Sutton Group Limited contributes
Less than 3%	0%
At least 3% but less than 5%	6%
5% or more	10%

Employee contributes	Affinity Sutton Labour Agency Limited contributes
Up to 5%	Up to 5%
5% or more	5%

Employee contributes	Community Building Services (CBS) Limited contributes
Less than 3%	Up to 6%
3% or more	6%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

In accordance with FRS17, the directors of the subsidiaries have appointed the scheme actuaries to prepare the following detailed disclosures and they have relied on the actuaries' expertise in this regard. The assumptions used by the actuaries are the best estimates chosen from a range of possibilities which, because of the time scale covered, might not necessarily be borne out in practice.

The fair value of the assets and the present value of the liabilities in the schemes at each balance sheet date were:

Year to 31 March 2013	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets	7,364	14,831	13,470	15,160	63,600	114,425
Present value of scheme liabilities	(9,152)	(18,367)	(18,795)	(21,676)	(82,100)	(150,090)
Net liability in balance sheet	(1,788)	(3,536)	(5,325)	(6,516)	(18,500)	(35,665)

Movements in fair value of scheme assets

At 1 April 2012	7,724	12,673	12,262	13,336	57,100	103,095
Expected return on scheme assets	327	704	628	786	3,800	6,245
Contributions by members	–	23	46	75	100	244
Actuarial gains	499	1,189	1,025	1,108	3,600	7,421
Contributions by employer	610	960	191	583	2,300	4,644
Assets distributed on settlements	(1,516)	–	–	–	–	(1,516)
Benefits paid	(280)	(718)	(682)	(728)	(3,300)	(5,708)
At 31 March 2013	7,364	14,831	13,470	15,160	63,600	114,425

Movements in present value of scheme liabilities

At 1 April 2012	10,348	16,676	17,710	19,888	78,600	143,222
Current service cost	–	92	181	255	800	1,328
Interest on obligation	393	786	787	907	3,600	6,473
Contributions by members	–	23	46	75	100	244
Actuarial losses	207	1,508	753	1,235	2,300	6,003
Liabilities extinguished on settlements	(1,516)	–	–	–	–	(1,516)
Estimated unfunded benefits paid	–	–	–	(19)	–	(19)
Estimated benefits paid	(280)	(718)	(682)	(709)	(3,300)	(5,689)
Curtailed losses	–	–	–	44	–	44
At 31 March 2013	9,152	18,367	18,795	21,676	82,100	150,090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

The fair value of the assets and the present value of the liabilities in the schemes at each balance sheet date were (continued):

Year to 31 March 2012	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets	7,724	12,673	12,262	13,336	57,100	103,095
Present value of scheme liabilities	(10,348)	(16,676)	(17,710)	(19,888)	(78,600)	(143,222)
Net liability in balance sheet	(2,624)	(4,003)	(5,448)	(6,552)	(21,500)	(40,127)
Movements in fair value of scheme assets						
At 1 April 2011	7,192	12,469	12,236	13,027	56,000	100,924
Expected return on scheme assets	399	846	800	884	4,100	7,029
Contributions by members	–	26	51	85	100	262
Actuarial losses	(222)	(592)	(356)	(754)	(2,500)	(4,424)
Contributions by employer	610	851	213	561	2,300	4,535
Benefits paid	(255)	(927)	(682)	(467)	(2,900)	(5,231)
At 31 March 2012	7,724	12,673	12,262	13,336	57,100	103,095
Movements in present value of scheme liabilities						
At 1 April 2011	(8,416)	(15,609)	(15,540)	(16,863)	(70,900)	(127,328)
Current service cost	–	(95)	(175)	(240)	(700)	(1,210)
Interest on obligation	(465)	(837)	(841)	(924)	(3,800)	(6,867)
Contributions by members	–	(26)	(51)	(85)	(100)	(262)
Actuarial losses	(1,722)	(1,036)	(1,785)	(2,243)	(6,000)	(12,786)
Estimated unfunded benefits paid	–	–	–	18	–	18
Estimated benefits paid	255	927	682	449	2,900	5,213
At 31 March 2012	(10,348)	(16,676)	(17,710)	(19,888)	(78,600)	(143,222)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

Expenses/(income) recognised in the Income and Expenditure Account:

	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Year to 31 March 2013						
Current service cost	–	92	181	255	800	1,328
Interest on obligation	393	786	787	907	3,600	6,473
Expected return on scheme assets	(327)	(704)	(628)	(786)	(3,800)	(6,245)
Assets distributed on settlements	(1,516)	–	–	–	–	(1,516)
Curtailment losses	–	–	–	44	–	44
	(1,450)	174	340	420	600	84
Year to 31 March 2012						
Current service cost	–	95	175	240	700	1,210
Interest on obligation	465	837	841	924	3,800	6,867
Expected return on scheme assets	(399)	(846)	(800)	(884)	(4,100)	(7,029)
	66	86	216	280	400	1,048

The expense/(income) is recognised in the following line items in the Income and Expenditure Account:

	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Year to 31 March 2013						
Operating costs	(1,516)	92	181	299	800	(144)
Other finance cost/(income)	66	82	159	121	(200)	228
	(1,450)	174	340	420	600	84
Year to 31 March 2012						
Operating costs	–	95	175	240	700	1,210
Other finance cost/(income)	66	(9)	41	40	(300)	(162)
	66	86	216	280	400	1,048

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial gains is £1,418,000 (2012: actuarial losses of £17,210,000).

The cumulative actuarial loss reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS17, is £30,813,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

History of schemes

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Downland					
Fair value of scheme assets	7,364	7,724	7,192	7,049	5,585
Present value of scheme liabilities	(9,152)	(10,348)	(8,416)	(9,498)	(7,169)
Deficit	(1,788)	(2,624)	(1,224)	(2,449)	(1,584)
Herts Council					
Fair value of scheme assets	14,831	12,673	12,469	11,861	8,944
Present value of scheme liabilities	(18,367)	(16,676)	(15,609)	(18,266)	(12,906)
Deficit	(3,536)	(4,003)	(3,140)	(6,405)	(3,962)
LB Bromley					
Fair value of scheme assets	13,470	12,262	12,236	13,122	9,152
Present value of scheme liabilities	(18,795)	(17,710)	(15,540)	(18,552)	(12,283)
Deficit	(5,325)	(5,448)	(3,304)	(5,430)	(3,131)
London Pensions					
Fair value of scheme assets	15,160	13,336	13,027	12,149	9,217
Present value of scheme liabilities	(21,676)	(19,888)	(16,863)	(19,352)	(12,615)
Deficit	(6,516)	(6,552)	(3,836)	(7,203)	(3,398)
William Sutton					
Fair value of scheme assets	63,600	57,100	56,000	51,600	42,000
Present value of scheme liabilities	(82,100)	(78,600)	(70,900)	(73,400)	(54,400)
Deficit	(18,500)	(21,500)	(14,900)	(21,800)	(12,400)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

Experience adjustments

	2013 %	2012 %	2011 %	2010 %	2009 %
Downland					
Experience gains/(losses) as % of scheme assets	6.78	(2.87)	(4.19)	2.78	0.48
Experience losses/(gains) as % of scheme liabilities	(3.21)	(0.06)	(1.71)	2.06	0.38
Herts Council					
Experience gains/(losses) as % of scheme assets	8.02	(4.67)	(1.91)	19.87	(40.84)
Experience losses/(gains) as % of scheme liabilities	(0.22)	1.86	1.03	(20.22)	0.07
LB Bromley					
Experience gains/(losses) as % of scheme assets	7.60	(2.90)	(10.80)	29.50	(37.70)
Experience losses as % of scheme liabilities	-	-	11.60	-	-
London Pensions					
Experience gains/(losses) as % of scheme assets	7.30	(5.70)	(0.80)	17.50	(35.60)
Experience losses/(gains) as % of scheme liabilities	(0.10)	0.10	7.90	0.30	-
William Sutton					
Experience gains/(losses) as % of scheme assets	(1.26)	(4.38)	4.46	17.05	(43.10)
Experience losses/(gains) as % of scheme liabilities	0.97	(0.64)	(0.42)	0.95	1.84

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

The fair value of the assets and the present value of the liabilities in the schemes at each balance sheet date were:

At 31 March 2013	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets:						
Equities	4,874	10,529	9,995	11,067	47,100	83,565
Gilts	587	–	296	–	–	883
Other bonds	1,356	2,670	1,751	–	11,000	16,777
Property	547	742	–	–	4,800	6,089
Cash	–	890	216	303	–	1,409
Target return portfolio	–	–	–	1,516	–	1,516
Alternative assets	–	–	–	2,274	–	2,274
Other	–	–	1,212	–	700	1,912
	7,364	14,831	13,470	15,160	63,600	114,425
Present value of scheme liabilities	(9,152)	(18,367)	(18,795)	(21,676)	(82,100)	(150,090)
Deficit	(1,788)	(3,536)	(5,325)	(6,516)	(18,500)	(35,665)
At 31 March 2012	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets:						
Equities	4,160	8,745	10,055	9,736	42,200	74,896
Gilts	–	–	245	–	–	245
Other bonds	834	2,281	1,594	–	9,900	14,609
Property	–	760	–	–	4,600	5,360
Cash	1,214	887	368	133	–	2,602
Secured pensions	1,516	–	–	–	–	1,516
Target return portfolio	–	–	–	1,600	–	1,600
Alternative assets	–	–	–	1,867	–	1,867
Other	–	–	–	–	400	400
	7,724	12,673	12,262	13,336	57,100	103,095
Present value of scheme liabilities	(10,348)	(16,676)	(17,710)	(19,888)	(78,600)	(143,222)
Deficit	(2,624)	(4,003)	(5,448)	(6,552)	(21,500)	(40,127)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

At 31 March 2013	Downland	Herts Council	LB Bromley	London Pensions	William Sutton
Inflation	3.3%	n/a	2.3%	2.5%	3.3%
Salary increases	n/a	5.1%	4.6%	4.2%	4.3%
Pension increases in payment	3.3%	2.8%	2.3%	2.5%	2.4%
Discount rate	4.6%	4.5%	4.3%	4.3%	4.6%
Expected return on scheme assets:					
Equities	7.2%	5.8%	7.0%	6.0%	7.3%
Gilts	3.2%	–	3.0%	–	–
Other bonds	4.3%	3.6%	3.8%	–	4.1%
Property	5.2%	3.9%	–	–	6.3%
Cash	–	3.0%	0.5%	0.5%	–
Target return portfolio	–	–	–	4.6%	–
Alternative assets	–	–	–	5.0%	–
Other	–	–	7.0%	–	0.5%
<hr/>					
At 31 March 2012	Downland	Herts Council	LB Bromley	London Pensions	William Sutton
Inflation	3.1%	3.1%	2.3%	2.5%	2.2%
Salary increases	n/a	4.8%	4.5%	4.2%	4.6%
Pension increases in payment	3.1%	2.5%	2.3%	2.5%	2.2%
Discount rate	4.5%	4.8%	4.5%	4.6%	4.6%
Expected return on scheme assets:					
Equities	5.9%	6.2%	5.9%	6.3%	8.0%
Gilts	–	–	3.1%	–	–
Other bonds	4.5%	4.0%	4.5%	–	5.1%
Property	–	4.4%	–	–	7.0%
Cash	3.0%	3.5%	3.0%	3.0%	–
Secured pensions	4.5%	–	–	–	–
Target return portfolio	–	–	–	4.5%	–
Alternative assets	–	–	–	5.3%	–
Other	–	–	–	–	0.5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24. Pensions – Group (continued)

Mortality Assumptions

In compiling the FRS17 disclosures the actuaries have used the following assumptions:

Downland Housing Group Pension & Assurance Scheme

Post-retirement mortality is based on the mortality table known as S1PMA for males and S1PFA for females projected using CMI_2012_M(1%) and CMI_2012_F (1%) with ages rated up 1 year.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	21.4
	Females	23.6
Retiring in 20 years	Males	22.7
	Females	25.1

Hertfordshire County Council Pension Fund

Life expectancy is based on the SAPS year of birth tables with improvements from 2007 in line with the Medium Cohort and a 1% underpin. Mortality loadings were applied to the SAPS tables based on membership class.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	21.0
	Females	23.8
Retiring in 20 years	Males	22.9
	Females	25.7

London Borough of Bromley Pension Fund

The actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post-retirement mortality tables adopted were the S1PA Heavy series with a 70% multiplier, making allowance for future improvements factors in line with the medium cohort projection with an underpin of 1%.

Retiring today	Males	23.1
	Females	26.5
Retiring in 20 years	Males	25.1
	Females	28.5

London Pensions Fund Authority Pension Fund

The actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post-retirement mortality is based on Club Vita mortality analysis which has been projected using the medium cohort projection and allowing for a minimum rate of improvement of 1%.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	21.5
	Females	24.2
Retiring in 20 years	Males	23.5
	Females	26.0

William Sutton Housing Association Final Salary Scheme

Life expectancy is based on standard tables S1PxA Year of Birth, no age rating, projected using CMI_2011 converging to 1.50% p.a. for males and 1.25% for females.

Retiring today	Males	23.3
	Females	25.3
Retiring in 20 years	Males	24.5
	Females	27.2

25. Legislative provisions

Affinity Sutton Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency under the Housing Act 1996.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

26. Related Party Disclosures and Intra-Group Transparency

Tenants who are members of the Board have tenancies, which are on normal terms, and as such their position does not afford them any additional benefits over other tenants.

As the Group parent, the Association incurs certain staff costs and overheads centrally on behalf of the whole Group. These are then recharged to other members of the Group, allocated on the basis of use.

The main element of the recharge is staff costs, which are allocated by department based on their activity in the year. Other material allocations are: IT costs, which are allocated by the number of PCs; mobile phone costs, by number of devices; staff training and recruitment, by FTEs; and offices, by usage of specific premises.

The recharges were as follows:

	2013	2012
	£'000	£'000
Aashyana Housing Association Limited	177	128
Affinity Sutton Community Foundation	2,313	1,140
Affinity Sutton Homes Limited	54,838	55,141
Affinity Sutton Investments Limited	143	72
Affinity Sutton Labour Agency Limited	100	–
Affinity Sutton Professional Services Limited	2,641	1,757
Broomleigh Regeneration Limited	14	19
Community Building Services (CBS) Limited	1,116	820
Grange Management (Southern) Limited	398	395
William Sutton Developments Limited	233	44
	61,973	59,516

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

27. Ultimate Parent Undertaking

At the year-end, Affinity Sutton Group Limited was the ultimate parent undertaking for the following entities:

Name	Legislative provisions	Nature of business
Aashyana Housing Association Limited	Industrial and Provident Societies Act 1965	Registered Provider
Affinity Sutton Capital Markets PLC	Companies Act 2006	Funding vehicle
Affinity Sutton Community Foundation	Companies Act 2006, Charities Act 2011	Charitable services
Affinity Sutton Funding Limited	Companies Act 2006	Funding vehicle
Affinity Sutton Homes Limited	Industrial and Provident Societies Act 1965	Registered Provider
Affinity Sutton Investments Limited	Companies Act 2006	Investment vehicle
Affinity Sutton Labour Agency Limited	Companies Act 2006	Property maintenance
Affinity Sutton Professional Services Limited	Companies Act 2006	Property development
Broomleigh Regeneration Limited	Companies Act 2006	Property development
Community Building Services (CBS) Limited	Companies Act 2006	Property maintenance
Downland Regeneration Limited	Companies Act 2006	Property development
Grange Management (Southern) Limited	Companies Act 2006	Property management
Igloo Insurance PCC Limited (Cell ASG2)	Companies (Guernsey) Law 2008	Insurance
William Sutton Developments Limited	Companies Act 2006	Property development

Affinity Sutton Group Limited's only direct equity investments as at 31 March 2013 are in Affinity Sutton Capital Markets PLC (£1, or 0.002% of its issued share capital) and Igloo Insurance PCC Limited (Cell ASG2) (see note 10). All other entities are considered to be subsidiary undertakings because of the control exercised by the Board of Affinity Sutton Group Limited, or because they are wholly-owned subsidiaries of such entities.

Affinity Sutton Group Limited is not controlled by any one individual.



Affinity Sutton Group Limited

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Homes & Communities Agency No. LH4087

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