Affinity Sutton

ANNUAL REPORT AND FINANCIAL STATEMENTS

2013/14

Affinity Sutton Group Limited

Annual Report and Financial Statements

2013/14

TABLE OF CONTENTS

This year has again been one of continued achievement for the Group.

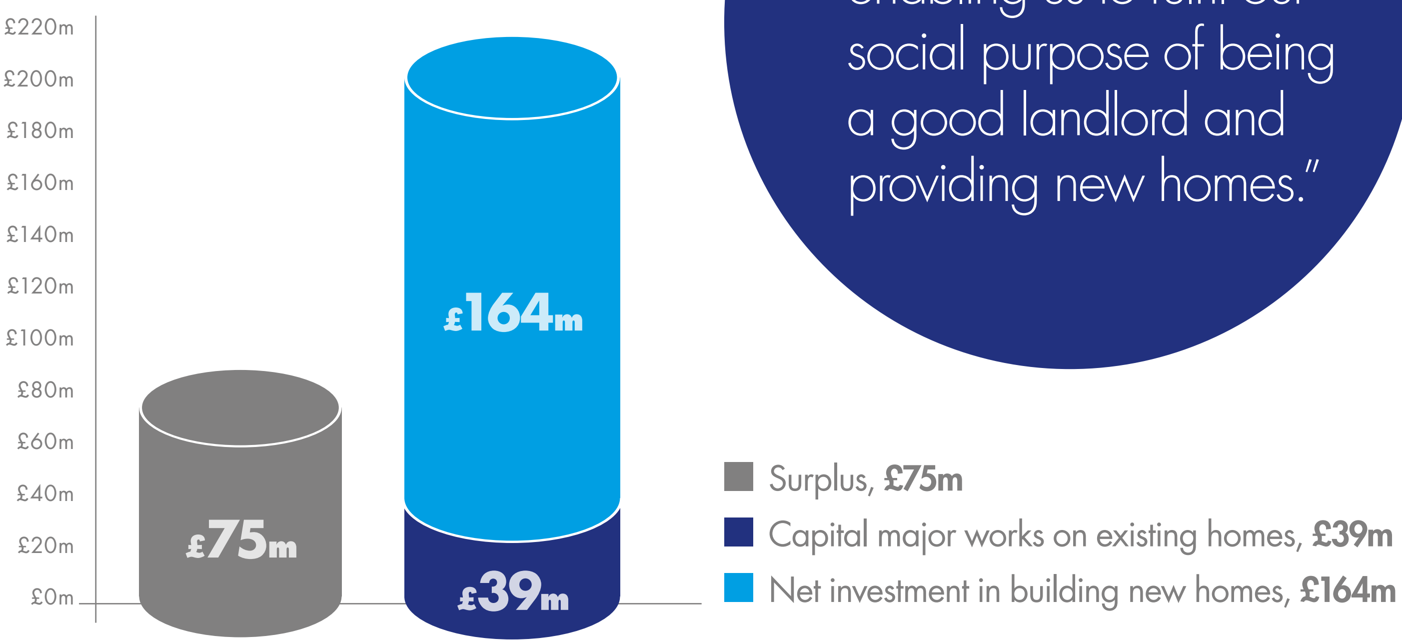
We are delighted to report that our continuing focus on strong finances, efficiency and value for money has resulted in a surplus for the year of £75 million. Our surpluses play a fundamental role in enabling us to fulfil our social purpose of being a good landlord and providing new homes. Fifty-two percent of that surplus, some £39 million, was spent on capital major works and improvements to our existing homes. In addition to this, we invested a net £164 million – more than double our surplus - in building new homes, with just over 800 properties completed in the year. The percentage of costs met by government grant has declined so that, on average, in the last three years grant meets just 17% of the cost.

In essence, all of the 2013/14 surplus was invested in new and existing homes. A weaker financial position than the one we have built up over many years would compromise these high levels of investment. In this time of very low levels of public funding for new affordable housing our financial strength has enabled us to make plans for a medium-term programme of new homes for Affordable rent which we will construct without recourse to public funds. Overall, our plans include the development of about 10,000 new homes over the next 10 years. This will see us invest £2.1 billion in new homes, just £48 million of which will be funded by government grant. The balance will be met by our own resources supplemented by debt funding and from the surpluses on a modest development for sale programme.

We know too that, over the medium term, a number of our estates will reach the end of their useful lives, and will need to be redeveloped. The costs of these renewal and regeneration programmes will have to be met entirely from our own resources, so our ability to invest when we need to will depend on strong levels of reserves.

But the communities where we work are about much more than bricks and mortar. The Affinity Sutton Community Foundation continued to help make real and sustainable changes to the lives of many of our residents in a number of aspects of their lives. Amongst other things, our Ready2work employment service secured nearly 3,400 training opportunities and helped over 880 people into work, and we provided a record 85 apprenticeships. Recognising the huge financial pressures on many of our residents, we are also delighted to have set up the first national partnership between a housing association and a Credit Union with 775 new credit union accounts taken up during the year.

Our surplus against our investment in new and existing homes



> "Our surpluses play a fundamental role in enabling us to fulfil our social purpose of being a good landlord and providing new homes."

The value of these and other social investments to those who benefit is much greater than the money we invest. We have been keen to understand this better, and during the year we joined with Catalyst Housing Group to commission an important research project from the housing charity HACT and Daniel Fujiwara of the LSE. The project sought to apply a monetary value to each of a range of positive outcomes for individuals from our community investment activity, from getting a job to reducing debt. Based on the project's robust modelling we are able to apply a social value of £58 million to that activity. That's an impressive return of 13:1, but more important than the detailed numbers and statistics, are the stories that sit behind them. This research shows the transformational impact that our work has on the lives of residents and the communities where we work.

Equally important is ensuring that we provide excellent services to our existing customers. Our strong customer satisfaction levels remain broadly stable at 79.7%, dropping 0.4% year on year. However, our performance on repairs, which has historically been very strong, was lower than we expected. This was down to a combination of factors. In July we brought in an interim contractor for one of our day-to-day repairs contracts. The transition to a new supplier, combined with unprecedented winter weather led to an upsurge in demand and, inevitably, difficulties with service delivery with a consequent reduction in satisfaction. However, the focussed work of both our in-house team and the contractor meant that by the year end resident satisfaction with repairs stood at 85.9% above our internal target of 85%.

All of our achievements in the year reflect the skills and dedication of our 1,500 staff. Our annual staff survey showed us that overwhelmingly they share the goals of the organisation and are committed to achieving them. It also showed us that they think Affinity Sutton is a great place to work, with 83% saying they were satisfied here and 90% saying that they are committed to our goals. This view was reflected in our latest Investors in People assessment when we retained the distinction of Gold accreditation, an accolade which reflects the way our people are led and empowered to achieve their personal best.

In part to provide them with better tools to do their jobs, but more importantly to improve service delivery and value for money, during the year we spent a lot of time and energy on our plans to transform the way Affinity Sutton does business. Our Future Foundations Programme, which will deliver better and more responsive services more efficiently over the coming years, is now well underway. As well as streamlining our contact with our customers and rationalising our processes, we will also make a significant investment in our systems. This is very exciting for us; it will be the biggest and most challenging change programme that we have undertaken in our century-long history. As such it brings significant risks, but we believe it will position us to provide the services that our customers want in the way that they want them into the long term, using internationally proven systems.

Our focus on the future was reflected in the National Housing Federation's vision for housing associations in 2033 set out in its document, "An Ambition to Deliver: housing associations unbounded", which we were delighted to support. The Federation too has recognised the changing landscape and the huge contribution that the housing association sector can make. It recognises that as independent organisations we can do a lot on our own, but we can do so much more in a supportive and positive policy environment. As we face an election year in 2015 we will do all we can to support the Federation in its efforts to move the housing crisis to the top of the agenda for politicians and the public alike. We believe passionately in the case for more affordable housing at rents that those on low incomes can truly afford.

For Affinity Sutton the choices we make about our future direction with all the risks and challenges that we face, must always be judged against the vision of our founder, William Sutton. The housing crisis that we face today, whilst different from the crisis that he witnessed over 100 years ago, is no less challenging. Working in partnership with others, the housing association sector is very well placed to make a real difference over the coming years. At Affinity Sutton we are more than ready to play our part.

Neil Goulden, Group Chairman

Keith Exford, Group Chief Executive

BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Neil Goulden, Group Chairman
Mike Herring, Group Vice Chairman
Helen Bailey
Nick Jones
Sue Killen
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)

Executive Directors

Keith Exford
Jonathan Cawthra
Kerry Kyriacou
Neil McCall
Clare Miller
Michelle Reynolds
Mark Washer

Company Secretary

Clare Miller

Principal Solicitors

Allen & Overy LLP
One Bishops Square
London
E1 6AD

Trowers & Hamlins
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 28 of the Financial Statements.

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

REGISTERED PROVIDERS

Affinity Sutton Homes
National housing association operating across England.

Aashyana Housing Association Limited
Small South Asian housing association operating in Bristol.

REGISTERED CHARITY

Affinity Sutton Community Foundation
Community Investment and other charitable activity.

FUNDING COMPANIES

Affinity Sutton Funding Limited
Group borrowing vehicle, providing funding to Affinity Sutton Homes.

Affinity Sutton Capital Markets PLC
Issuer of public bonds used to finance the activities of the Group.

PARENT

Affinity Sutton Group Limited
Group parent: provides strategic direction and ultimate control of its subsidiaries. Provides corporate and operational services to the Group.

DEVELOPMENT COMPANY

William Sutton Developments Limited
Development of properties for outright sale on the open market.

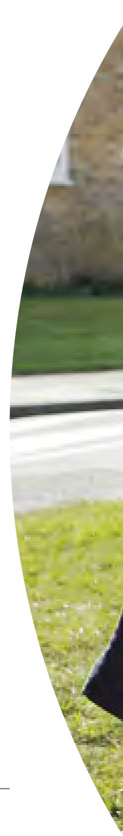
PROPERTY SERVICES COMPANIES

Grange Management (Southern) Limited
Property management company specialising in management of retirement freehold blocks and estates.

Community Building Services (CBS) Limited
Residential property maintenance company providing services mainly to Group companies.

Affinity Sutton Labour Agency Limited
Provision of maintenance workforce service to Affinity Sutton Homes.

Affinity Sutton Professional Services Limited
Provision of development services for the construction of residential property.



Our Corporate Strategy

At the heart of our vision we want 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:

Be a housing provider of choice

Maintain our financial strength

Grow our business

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

Increasing our influence

Being an employer of choice

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 in 2012 to transform the way we work, and during 2013/14 we took some major steps towards making this a reality.

The External Environment

By 2013/14 many of the policy and legislative changes to the housing landscape introduced by the coalition government were in place and were beginning to take effect. The Affordable Homes Programme 2011/15 is now largely complete, and the Homes and Communities Agency (HCA) said in April that it had "met or exceeded its key output targets for 2013/14". During the year bids were invited for further programmes both in London and nationally. Welfare reform was implemented, although Universal Credit was not rolled out in the year as had been planned and uncertainty remains about exactly what shape that implementation will take.

Whilst the economy showed more solid signs of recovery, many of the communities where we operate continue to struggle. Residential development continues to fall far short of the levels many commentators believe are necessary. On the face of it, the housing market experienced strong growth, with the Land Registry recording a 5.6% year-on-year rise in house prices nationally. But the picture across the country was far from even, with regional increases ranging from just 1.8% in Yorkshire & The Humber, to 12.4% in London. This has led some commentators to talk of a new "property bubble" in London at a time when low grant rates for social housing are leading to increased development for sale activity in the sector.

Interest rates remained low, with the base rate unchanged at 0.5% for over five years, maintaining the benign borrowing environment for the sector. This seems likely to change over the coming year or two.

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 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 negative movements in the property market, especially in London;
- 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;
- 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;
- 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;
- 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;
- The potential for failure among our key suppliers, in particular, house builders, developers and maintenance contractors; and
- 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 are keen to ensure that we are ready to meet the challenges of the most significant areas of risk, which we outline below. Recognising these risks and challenges, we are focussing on five key drivers in 2014/15:

- Transforming our core business to enable our growth aspirations;
- Committing to our development programme whilst maintaining our financial strength;
- Cultivating the right customer culture;
- Cultivating the right staff culture; and
- Becoming more environmentally responsible.

Our Future Foundations Programme

Two years ago we employed management consultants McKinsey & Company to help us review the way we resource some of our key functions and processes. This has led to our Future Foundations Programme which will transform the way we work with our customers and behind the scenes. We have developed our strategy across three interlinked strands: Customer, "Ways of Working", and Technology.

Our Customer Strategy will enable us to make decisions founded on strong evidence and insights about what success means for the organisation and for the customer. It aims to articulate the shift in organisational behaviour that puts emphasis on the customer experience and recognises where and how to add value, giving us the flexibility we need to respond effectively to change.

Through the "Ways of Working" strand we are challenging the way we operate through a root and branch analysis of our processes aimed at eliminating duplication and challenging the status quo. We will develop better and more cost effective ways of delivering services.

Finally, during the year we took the significant step of approving plans to select new enterprise-wide systems solutions. This process is now well underway. By creating seamless interfaces between different parts of the business, streamlining processes, and enabling more powerful use of data, all in a single system, it will fundamentally transform the way we do business. And as well as providing them with more accessible and responsive services, we expect to achieve significant long term efficiencies, which will improve our delivery of value for money.

Affordable Rent

In common with other developing associations we have over the last few years been converting many void properties and re-letting them at Affordable rents. The increase in rents has been used to compensate for the lower grant rates we can secure on our new homes. Under the terms of the HCA and GLA programmes we can let Affordable rents at a price up to 80% of the market rate. In the areas where we develop we are concerned that these rents are substantially higher than target rents, yet in the main they are being let to households at the top of the local authority waiting list. These households would be unable to afford the rent without recourse to housing benefit, and many have so little prospect of securing well paid employment that they are effectively trapped.

This year we have been working with the University of Cambridge and Hometrack to understand better the issues of affordability for the households which are most likely to be our future residents. We hope the research will enable us to develop a longer term rent policy which we will use to set rents for our properties as they became available to let. This work is still underway and is complicated by the different housing markets where we own homes, the very different economic circumstances of our new residents and the changing eligibility criteria for benefits. However we are hopeful that it will enable us to have an offer which makes sense to our prospective residents and which sets a fair price for the homes and services we offer. As a social landlord with a mission to help people put down roots we aim to charge a fair rent for our homes, but we understand we cannot compensate for all the economic problems our residents face from low wages to benefit dependency and fuel poverty. Our role is to provide accommodation at a price which will help rather than hinder.

Investment in New Homes

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 modest programmes are being considered by both the Greater London Authority (GLA) and the HCA for 2015-17 and 2015-18 respectively, we are concerned that there is still no clear and sustainable model for future development beyond that. However, we remain committed to continuing to provide new homes that are affordable to people on low incomes.

This will be a challenge, but our analysis is that our financially strong profile will enable an on-going programme without the support of grant from government. Inevitably this will increase our risk profile in a number of ways, and our surpluses will play a key part in mitigating those risks. Whilst the shape of such a programme cannot be fully worked up at this early stage, as we suggest above, our concern about some very high levels of rents implied by the Government's Affordable Rent arrangements, means that we are likely to limit rents to levels lower than those in the current programme. This will both improve affordability and mitigate the impact of welfare reform on our income streams. However, it will place more pressure on funding and lead to an increase in the levels of balance sheet debt. We need to ensure as we develop these plans that they are sustainable and viable.

"We remain committed to continuing to provide new homes that are affordable to people on low incomes."

Welfare reform

We are now one year into the biggest overhaul of the benefits system in decades. Two key changes took place in the last year: the removal of the "spare room subsidy" and the benefit cap.

- Removal of the spare room subsidy. From April 2013 a reduction to housing benefit for working age households who are under-occupying their homes was introduced nationally. Residents deemed to be under-occupying by one bedroom have the rent used in their housing benefit calculation reduced by 14% and for those under-occupying by two bedrooms the reduction is 25%. Although we have seen an increase in arrears as a result, the impact has not been as severe as we had originally anticipated. We continue to work closely with our residents to further improve the situation through initiatives to downsize to smaller properties, mutual exchange transfers, to secure discretionary housing payments from local authorities and by providing intensive budgeting support and guidance.
- Benefit cap. The benefit cap, which places a ceiling on the maximum amount a household can receive in benefits, was introduced in April 2013 in four London boroughs and between mid-July and September the cap was rolled out to all remaining local authority areas. The ceiling is £500 a week for a family with children and £350 a week for those without. Only a very small number of our residents have been affected by the benefit cap this year, but for those who are affected, arrears for the majority have increased significantly. However, these arrears are below £20,000 in total and so the impact on Affinity Sutton is minimal in its first year.
- In addition, in April 2013 the first pilot for Universal Credit started but on a very limited basis. By March 2014 3,780 people were on Universal Credit compared with the Government's original target of one million claimants. The Government's timetable for full rollout is 2017. As Universal Credit involves payment of Housing Benefit direct to tenants instead of landlords we continue to expect a significant adverse impact on rent collection performance, but it is difficult to predict with any degree of precision.

Overall, the impact on us has been less than expected, but since the long-term impact of the reforms are still unknown, we continue to provide for increased bad debts and provisions in our financial forecasts, and to work with residents to minimise the potential impact on them.

Our response to the risks

In addition to the focus on the key areas described above, we have responded more generally to the changing landscape in the following ways:

- We developed 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;
- We have increased the level of investment planned in our stock over the medium term based on this;
- We 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;
- We have undertaken a detailed study with PwC to consider the financial case for developing a market rent portfolio. We concluded that the likely returns do not reflect the level of risk inherent in the activity and we will not invest significantly in a major programme of market rent property;
- We undertook a range of robust sensitivity and scenario analysis which demonstrates options for recovering from adverse movements in our financial results;
- We continued to mitigate a range of risks through joint venture arrangements with commercial developers; and
- 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 £75 million (2012/13: £60 million) on a turnover of £320 million (2012/13: £305 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 £39 million, an investment in new homes after grant of £191 million all of this year's surplus was applied to our core social housing activity through a programme of planned repairs and improvements, as well as the development of new homes. This limits the levels of debt we will need to take on in order to fund capital investment and is a key strand in our approach to value for money.

Surplus

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

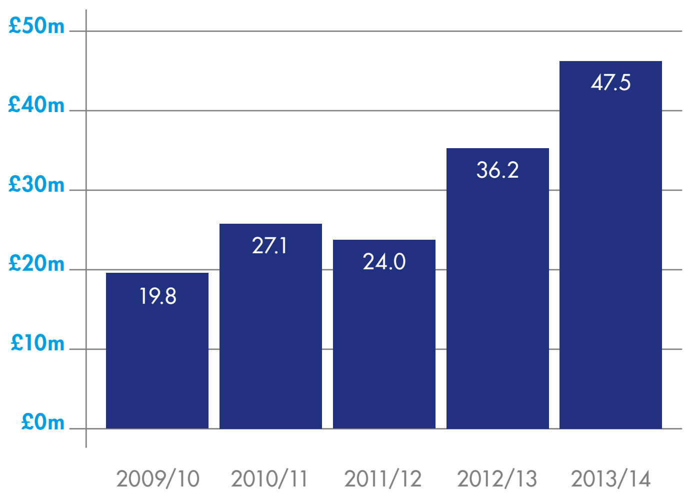
	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m
Turnover	**320**	**305**	**273**	**268**	**274**
Cost of sales	(32)	(35)	(23)	(23)	(33)
Operating costs	(166)	(163)	(155)	(157)	(154)
Exceptional items	-	-	(4)	5	-
Operating surplus	**122**	**107**	**91**	**93**	**87**
Surplus/(deficit) on disposal of assets	-	2	-	(1)	1
Net financing costs	(47)	(49)	(45)	(43)	(44)
Surplus for the year	**75**	**60**	**46**	**49**	**44**

Turnover is up on last year by £15 million, which is also the increase in the net surplus, an improvement on the previous year of 25%.

The operating surplus of £122 million (2012/13: £107 million) gives an operating margin of 38% (2012/13: 35%). Operating costs are up by £3 million or just 1.6%, which represents a successive real terms reduction in operating costs. This is consistent with our aim to bring our operating cost per unit down in real terms year-on-year.

The Group's five-year adjusted cash generation from operations, shown in the chart opposite, 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	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Tangible fixed assets	1,763	1,608	1,507	1,380	2,208
Net current assets	112	101	95	154	77
Total assets less current liabilities	**1,875**	**1,709**	**1,602**	**1,534**	**2,285**
Creditors due in over one year	1,312	1,214	1,164	1,120	979
Income and expenditure account	529	453	391	375	304
Revaluation and other reserves	5	5	7	7	944
Other	29	37	40	32	58
	1,875	**1,709**	**1,602**	**1,534**	**2,285**

Total assets less current liabilities increased by over £165 million to £1.9 billion (2013: £1.7 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 £98 million.

Key Group financial indicators

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

	2013/14 Actual	2013/14 Target/Budget	2012/13 Actual
Operating margin	38.2%	37.0%	35.0%
Operating cost per home	£3,439	£3,404	£3,420
Overheads as a percentage of income	7.3%	7.2%	7.8%
Adjusted cash generation from operations	£47.5m	£40.7m	£36.2m
Interest cover	269.6%	237.7%	251.9%
Net margin	23.3%	20.8%	19.8%
Gearing	70.4%	72.5%	71.7%
Net debt per unit	£25,541	£27,752	£23,518
Debt:Turnover	4.1:1	4.4:1	4.0 :1
Ratio of committed development spend covered by cash and available loans	1.8:1	>1.0 :1	2.0 :1

With the exception of operating cost per home (which has nonetheless reduced in real terms) and overheads as a percentage of income (which have still fallen by half a percent from the prior year) each measure is better than the Group's target.

Adjusted cash generation is very strong at £47.5 million (2012/13: £36.2 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:

	2013/14 Actual	2013/14 Target	2012/13 Actual	Target Met
Current rent arrears as a % of rent debit (Social Housing)	4.04%	<4.80%	3.83%	Yes
Rent loss due to voids	1.79%	<2.07%	2.03%	Yes
Average time to relet (Social Housing)	26.8 days	<27.0 days	33.1 days	Yes
Residents satisfied with repairs	85.9%	>85.0%	84.7%	Yes
Resident satisfaction	79.7%	>80.0%	80.8%	No
Properties meeting Decent Homes Standard	100.0%	100.0%	100.0%	Yes

Current rent arrears as a % of rent debit (Social Housing): The continued effect of welfare benefit reform has placed upward pressure on rent arrears and we expect this to continue as Universal Credit is introduced. We did see an increase particularly in those households affected by the withdrawal of the under-occupation subsidy or 'bedroom tax'. However, we have been able to keep these increases to a minimum largely because of the preparatory work that we undertook together with the recruitment of additional staff.

Rent loss due to voids: Void turnaround times improved in the last 12 months as a result of prompt re-letting of empty properties and the demolition of a number of longstanding empty properties.

Average time to re-let (Social Housing): We have continued to focus on reducing the time it takes to re-let an empty property. This has been achieved by reviewing our internal process and streamlining the work across the repairs and lettings team. We have also set up show flats for our harder to let properties, and where needed, improved the layout or the facilities within certain properties which had proved less popular.

Residents satisfied with repairs: Repairs satisfaction has improved slightly in the last year despite difficulties we have had with some maintenance contracts and exceptionally poor weather conditions.

Resident satisfaction: Resident satisfaction has continued at around 80% despite the difficult economic circumstances many of our residents have faced during the year.

Properties meeting Decent Homes Standard: During the year we identified 7,800 properties that would need works in order to maintain their 'decency' standard and this work was completed on time.

Value for money and benchmarking

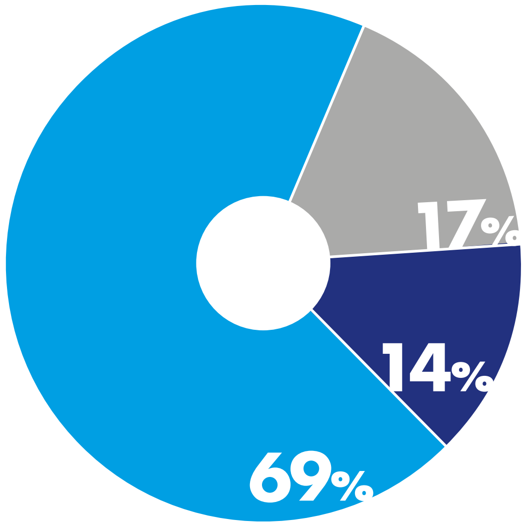
Our commitment to VfM

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.

Our full statement on how we deliver on Value for Money is available on our website at www.affinitysutton.com/valueformoney

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 17% (2012/13: 28%) coming from government grant. The trend continues to be downward, with just 10% of the cost being met by grant in 2013/14.

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



- Debt/Private Resources, 69%
- Grant, 17%
- Sales, 14%

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 historically generated major savings in operating costs which are probably unprecedented in the sector. About £5.7 million of 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:

- Annual efficiency savings of over £1 million from procurement exercises across a range of services;
- On-going annual efficiencies of £1.5 million from lower maintenance charges from our in-house maintenance contractor;
- We restructured the Group's inflation-linked swaps so that hedge accounting will apply under IFRS. This reduces the potential volatility in the I&E from £10 million to £1 million;
- We completed a three year office accommodation rationalisation with four fewer office locations, 11% more desk capacity and ongoing revenue cost savings of £0.35 million;
- We reviewed and rationalised the Group's pension arrangements leading to a reduction in annual costs of £0.5 million; and
- We secured an additional £1.9 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 group[1].

The following table shows Affinity Sutton's performance for 2013/14 and 2012/13, and provides a comparison with the peer group using 2012/13 published data. National average and top quartile data is also shown where available and relevant:

	Affinity Sutton 2013/14	Affinity Sutton 2012/13	Peer group average 2012/13 (where available)	Affinity Sutton peer group ranking 2012/13	National average 2012/13 (where available)
Financial VfM analysis					
Operating cost per home	£3,439	£3,420	£4,165	3	£3,882
Management costs per home	£620	£638	£1,007	4	£952
Service charges costs per home	£428	£425	£564	5	£498
Maintenance, cyclical and major repairs expenditure per home	£2,176	£2,311	£1,786	13	£1,981
Rent void losses per home (general needs and Affordable properties, excluding garages)	£61	£54	£49	15	n/a
Social housing lettings operating margin	45.1%	42.6%	31.5%	3	25.9%
Chief Executive pay per home	£5.1	£5.0	£5.4	8	n/a
Ratio of Chief Executive emoluments to average staff emoluments (excluding employer's pension contribution)	8.7:1	8.6 :1	8.0:1	17	n/a
Board and Executive pay per home	£25.9	£25.9	£24.6	10	n/a
Housing management VfM analysis					**HouseMark RSLs >10,000 units 2012/13**
Current rent arrears – social housing properties	4.04%	3.83%	4.56%	5	3.30%
Relet times – social housing properties	26.8 days	33.1 days	32.6 days	4	29.8 days
Residents' satisfaction overall[2]	79.7%	80.8%	76.0%	3	n/a
Residents' satisfaction with repairs[2]	85.9%	84.7%	71.3%	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's continued focus on value for money has resulted in a nominal 0.6% increase in its operating cost per home in 2013/14. The Group continues to have one of the lowest operating costs per home compared to its peers. At £3,439 per home it is a top quartile performer and it is lower than both the peer group average of £4,165 and the national average of £3,882.

Unit management costs have fallen by almost 3% in the last year. We continue to demonstrate top quartile management costs performance when compared to our peer group averages.

We are a better than average performer on service costs per home at £428, a small 0.7% increase on last year but significantly below the peer group average of £564 and the national average of £498.

Our unit cost at £2,176 has reduced by about 6% and reflects the efficiencies delivered by our in-house maintenance contractor. Investment in our homes is greater than the peer group average of £1,786 and the national average of £1,981. The peer group ranges from £1,127 to £2,686.

At £61 per home, the Group is just above the bottom quartile on general needs void losses in a peer group range from £26 to £105. We continue to strive to improve our performance and we are working closer with our repairs and housing teams to review our internal processes and shorten the time it takes to get properties back into management.

At 45.1% (2012/13: 42.6%) we are ranked third 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. This reflects our continued focus on efficiency and surplus generation to provide resources for investment in our social activities.

Our performance at £5.1 is marginally up on last year but below the peer group average of £5.4. The ranking here is in the middle of the peer group rankings.

At 8.7:1, the ratio of chief executive pay as compared to average staff pay is broadly in line with last year. This is based on average staff pay at Affinity Sutton of £33,316 per annum.

The Group is at £25.9, same as last year and in a peer group range of £9.1 to £51.4.

Our arrears performance at 4.04% is slightly up on last year-end. Rent collection performance has been impacted by welfare reform changes but arrears overall has only marginally increased. Arrears performance is better than the peer group average of 4.56% but behind the 3.30% average for housing associations with more than 10,000 units.

With a 26.8 day average turnaround, the Group's performance has seen a significant improvement on last year's 33.1 days, and is now a top quartile performer. The peer group average is 32.6 days.

The year-end satisfaction rating of 79.7% 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 85.9% has increased in the last year and is now above our 85.0% internal target. It compares well with the peer group average of 71.3%.

Property development and sales

During the year we completed 805 new homes, of which 539 were for rent, 198 were for low cost home ownership and 68 were for sale on the open market (including our share of homes constructed through joint ventures). In addition, we started construction on over 1,150 new Affordable Homes, of which 786 were for rent and 380 for shared ownership, as well as 64 units for sale on the open market.

The agreement which we made in 2011 with the HCA under the Government's Affordable Rent programme is now administered by the GLA and the HCA for homes inside and outside London respectively. By the year-end we had made significant progress towards fulfilling both contracts with over 2,200 new Affordable Homes already in development.

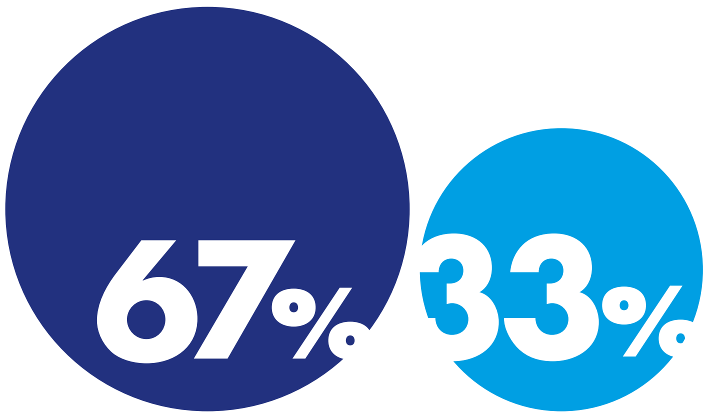
Grant received in 2013/14 was £22 million, which provided 10% of total development costs in the year. The balance net of sale proceeds (77%) was provided by £164 million of private loans and funding from internal resources for the development of affordable housing.

Sales performance for 2013/14 has been another strong year with 207 sales completed directly by the Group (170 shared ownership and 37 sold on the open market), with revenues of £27 million. Sales rates remained strong, with properties selling in an average of 6 weeks compared with our 12 week target. Additionally, our joint ventures sold 87 units on the open market, and our share of the revenues was £11 million. We also completed 119 re-sales for existing shared ownership properties and completed on £7 million of staircasing receipts.

Treasury management

As at 31 March, the Group had £1.65 billion of committed debt funding, with drawn funding totalling £1.32 billion, up from £1.22 billion in 2013. 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

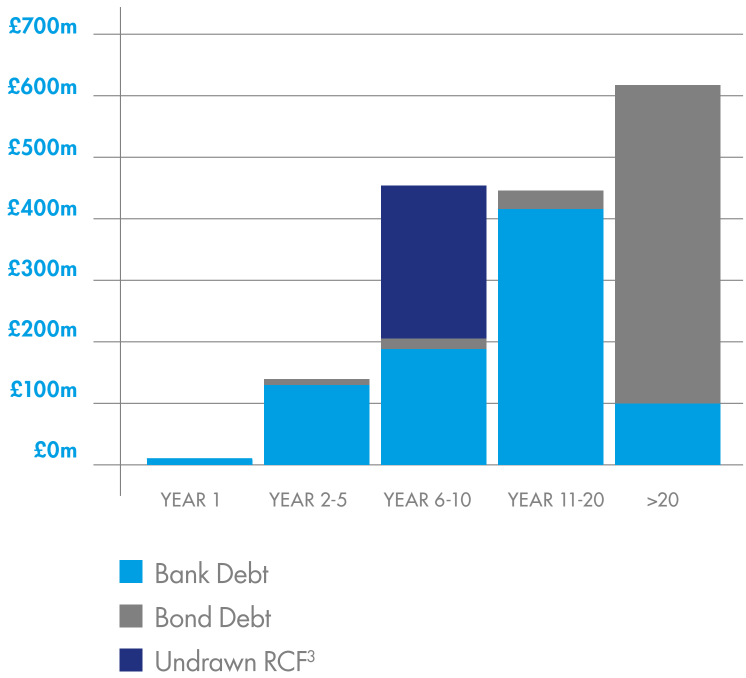


Bank Debt **67%**

Bond Debt **33%**

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 £334 million of committed undrawn facilities available for immediate drawing and £73 million of cash in hand, representing total available liquidity of £407 million. In line with the Group's prudent polices on liquidity management, these resources are more than sufficient to meet all of the Group's contractual commitments to developers and housebuilders.

Available liquidity

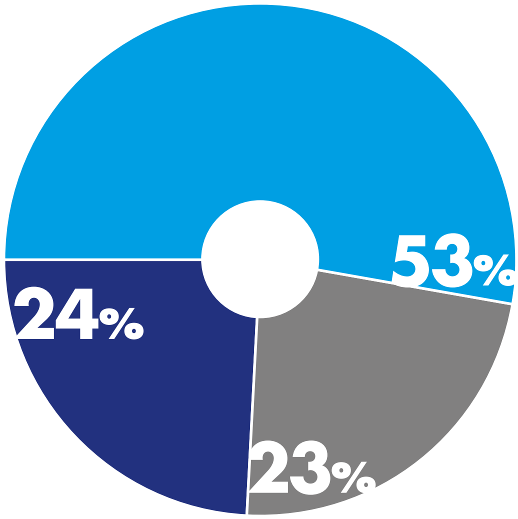
Commited Undrawn **£334m** Cash **£73m**

Total committed funding

Drawn Debt **£1,320m** Undrawn Debt **£334m**

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, 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 76% fixed-rate and 24% floating-rate. The Group does not have any non-Sterling interest rate or exchange rate exposures.

Hedging activity %



- 53% Fixed through loan documents
- 23% Fixed through free-standing contracts
- 24% Floating

The Group maintains its desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand alone interest rate swaps. As at year end, 69% of the Group's hedging activities were undertaken through embedded instruments and 31% 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.

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 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 involvement structures 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. The Group Board has five Committees covering:

- 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 2013 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. 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, or pay in lieu thereof) of Affinity Sutton Group Limited, who served during the year, were as follows:

Director	Role	2013/14 Salary £	2013/14 Fee £	2013/14 Other benefits £	2013/14 Total £	2012/13 Total £
NON EXECUTIVE DIRECTORS						
Neil Goulden[1]	Group Chairman; Chair of Nominations Committee	-	-	-	**-**	-
Mike Herring	Group Vice Chairman; Chair of Affinity Sutton Homes	-	14,933	-	**14,933**	14,600
Helen Bailey[2]	Chair of Remuneration Committee	-	-	-	**-**	4,500
Nick Jones[3]	Chair of Affinity Sutton Community Foundation	-	12,292	-	**12,292**	9,375
Sue Killen[4]		-	9,000	-	**9,000**	9,000
Simon Neville[5]		-	9,571	-	**9,571**	5,850
Jonathan Paine[6]	Chair of Audit Committee	-	12,188	-	**12,188**	11,250
Colin Sturgeon	Chair of Treasury Committee	-	12,292	-	**12,292**	11,250
Pat Berry[7]		-	-	-	**-**	4,867
Mark Haysom CBE[8]		-	-	-	**-**	3,750
Peter Reynolds[9]		-	-	-	**-**	1,500
EXECUTIVE DIRECTORS						
Keith Exford	Group Chief Executive	242,497	-	48,993	**291,490**	283,590
Mark Washer	Group Finance Director; Chair of Project Approval Committee	145,203	-	41,707	**186,910**	189,153
Kerry Kyriacou	Group Development Director	154,530	-	39,986	**194,516**	189,755
Jonathan Cawthra	Group Resources Director	101,642	-	31,901	**133,543**	129,578
Neil McCall	Group Operations Director	147,419	-	33,707	**181,126**	183,283
Clare Miller	Group Director of Governance and Compliance	114,451	-	30,167	**144,618**	144,902
Michelle Reynolds[10]	Group Commercial Director	103,376	-	19,448	**122,824**	28,174
Mark Perry[11]	Group Commercial Director	-	-	-	**-**	108,223

1 Remuneration not drawn.
2 Remuneration ceased to be drawn from 20 November 2012. Previously, 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 in 2012/13.
4 Remuneration paid to employer, St John Ambulance.
5 Appointed to Group Board 1 May 2013. Prior to this, remuneration relates to previous role as member of Treasury Committee.
6 Remuneration paid to his employer, NM Rothschild & Sons Limited, in 2012/13.
7 Retired 26 July 2012.
8 Retired 23 August 2012.
9 Passed away 23 May 2012.
10 Appointed as Group Commercial Director on 1 January 2013.
11 Resigned 31 December 2012.

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 and anti-bribery culture which is supported by a policy and procedure for dealing with suspected fraud, bribery and whistleblowing. The Group participated in last year's 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 2014 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, for the year ended 31 March 2014 and up to the date of approval of the financial statements.

Going Concern

After reviewing the Group's budget for 2014/15 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 at least twelve months from the date of approval of the financial statements.

Disclosure of Information to Auditor

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.

Auditor

KPMG LLP have expressed their willingness to continue in office as the Group's auditor. In accordance with the Rules of the Association, the Board has resolved to reappoint them as auditor. Shareholders will note this at the forthcoming Annual General Meeting.

Neil Goulden
Group Chairman
10 July 2014

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 Report of the Board 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 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. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and 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.

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 2014 set out on pages 30 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 28, 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 2014 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
for and on behalf of KPMG LLP,
Statutory Auditor

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

15 July 2014

GROUP AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

Group

	Notes	2014 Group excluding Interests in Joint Ventures £'000	2014 Interests in Joint Ventures £'000	2014 Group £'000	2013 Group £'000
Turnover	2(a)	**309,318**	**10,768**	**320,086**	305,008
Cost of sales	2(a)	**(21,074)**	**(10,646)**	**(31,720)**	(34,724)
Operating costs	2(a)	**(166,188)**	**–**	**(166,188)**	(163,622)
Operating surplus	2(a)	**122,056**	**122**	**122,178**	106,662
Surplus on disposal of properties	2(a)	**154**	**–**	**154**	2,109
Surplus on disposal of other fixed assets	2(a)	**26**	**–**	**26**	49
Interest receivable and similar income		**1,223**	**–**	**1,223**	559
Interest payable and similar charges	5	**(48,544)**	**(194)**	**(48,738)**	(48,761)
Other finance income/(cost)	25	**192**	**–**	**192**	(228)
Surplus/(deficit) on ordinary activities before taxation	6	**75,107**	**(72)**	**75,035**	60,390
Tax charge on surplus/deficit on ordinary activities	7	**(385)**	**–**	**(385)**	(20)
Surplus/(deficit) for the year	20	**74,722**	**(72)**	**74,650**	60,370

All operations are continuing.

Association

	Notes	2014 £'000	2013 £'000
Turnover	2(a)	**64,571**	62,359
Operating costs		**(64,412)**	(62,152)
Operating surplus		**159**	207
Deficit on disposal of other fixed assets		**(50)**	–
Interest receivable and similar income		**6**	7
Interest payable and similar charges	5	**(102)**	(91)
Surplus on ordinary activities before Gift Aid and taxation		**13**	123
Payment under Gift Aid to charitable subsidiary		**–**	(160)
Surplus/(deficit) on ordinary activities before taxation	6	**13**	(37)
Tax (charge)/credit on surplus/deficit on ordinary activities	7	**(13)**	37
Surplus for the year	20	**–**	–

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 2014

	Notes	**2014 £'000**	2013 £'000
Surplus for the year		**74,650**	60,370
Actuarial gains on pension schemes	25	**476**	1,418
Unrealised surplus/(deficit) on revaluation of properties	9	**169**	(1,515)
Total recognised surplus for the year		**75,295**	60,273

GROUP NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014 £'000**	2013 £'000
Reported surplus on ordinary activities before taxation		**75,035**	60,390
Realisation of property revaluation surpluses of previous years	20	**41**	–
Historical cost surplus on ordinary activities before taxation		**75,076**	60,390
Tax charge on historical cost surplus on ordinary activities	7	**(385)**	(20)
Historical cost surplus on ordinary activities after taxation		**74,691**	60,370

GROUP AND ASSOCIATION BALANCE SHEETS AS AT 31 MARCH 2014

		Group		Association	
		2014	2013	**2014**	2013
	Notes	**£'000**	£'000	**£'000**	£'000
Tangible fixed assets					
Housing properties	8	**1,673,621**	1,526,825	**–**	–
Non-housing fixed assets	9	**39,491**	40,688	**7,148**	5,226
Fixed asset investments	10	**26,949**	26,394	**350**	350
Investment in joint ventures					
– share of gross assets	11	**111,791**	83,389	**–**	–
– share of gross liabilities	11	**(89,223)**	(69,035)	**–**	–
Total tangible fixed assets		**1,762,629**	1,608,261	**7,498**	5,576
Current assets					
Stock	12	**81,129**	49,321	**–**	–
Debtors	13	**20,004**	20,764	**4,575**	2,625
Debtors falling due after more than one year	13	**10,913**	3,590	**–**	–
Current investments	14	**1,513**	–	**–**	–
Cash at bank and in hand		**73,151**	87,466	**649**	–
		186,710	161,141	**5,224**	2,625
Current liabilities					
Creditors: amounts falling due within one year	15	**(74,651)**	(60,268)	**(5,836)**	(5,315)
Net current assets/(liabilities)		**112,059**	100,873	**(612)**	(2,690)
Total assets less current liabilities		**1,874,688**	1,709,134	**6,886**	2,886
Creditors: amounts falling due after more than one year	16	**1,312,108**	1,214,327	**7,500**	3,500
Provisions for liabilities and charges					
Pension liabilities	18	**28,794**	35,665	**–**	–
Other provisions	18	**60**	711	**–**	–
Capital and reserves					
Share capital	19	**–**	–	**–**	–
Revaluation reserve	20	**5,428**	5,300	**–**	–
Income and expenditure account	20	**528,298**	453,131	**(614)**	(614)
		1,874,688	1,709,134	**6,886**	2,886

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

10 July 2014

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash flow from operating activities	24(i)		**115,494**		114,068
Returns on investments and servicing of finance					
Interest received and similar income		**1,223**		559	
Interest paid and similar charges		**(57,237)**		(53,834)	
Set-up costs paid		**(463)**		(1,275)	
Net cash outflow			**(56,477)**		(54,550)
Taxation					
Corporation tax paid		**(35)**		(10)	
Net cash outflow			**(35)**		(10)
Capital expenditure and financial investments					
Expenditure on housing properties		**(194,838)**		(164,711)	
Grants received for housing properties		**19,563**		42,564	
Expenditure on other fixed assets		**(5,146)**		(3,574)	
Increase in fixed asset investments		**(555)**		(1,974)	
Sale of housing properties		**11,977**		8,419	
Sale of other fixed assets		**1,926**		55	
Net cash outflow			**(167,073)**		(119,221)
Net cash outflow before management of liquid resources and financing			**(108,091)**		(59,713)
Management of liquid resources					
Increase in amounts held on deposit		**(1,513)**		–	
Net cash outflow			**(1,513)**		–
Financing					
Housing loans drawn/(repaid)	24(ii)	**95,817**		(195,098)	
Bond issued	24(ii)	**–**		247,280	
Repayment of finance leases	24(ii)	**(528)**		(357)	
Net cash inflow			**95,289**		51,825
Decrease in net cash	24(ii)		**(14,315)**		(7,888)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 at least twelve months from the date of approval of the financial statements. 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 2014 are signed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all members of the Group as at 31 March 2014, 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 2014 (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	3-4 years

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 50 years an impairment review is carried out on an annual basis in accordance with the SORP. 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 2014 (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.

Pension costs

The Group participates in six defined benefit and two defined contribution pension schemes.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (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

	2014				2013	
	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)	**264,716**	**–**	**(145,458)**	**119,258**	248,153	105,652
Development for sale – social						
Shared ownership first tranche sales	15,847	(12,755)	(403)	**2,689**	16,942	1,641
Impairment write back	–	87	–	**87**	–	–
Total	**15,847**	**(12,668)**	**(403)**	**2,776**	16,942	1,641
Other social housing activities						
Charges for support services	3,350	–	(3,314)	**36**	3,030	32
Supporting people contract income	834	–	(820)	**14**	1,118	25
Development costs not capitalised	409	–	(2,321)	**(1,912)**	612	(3,735)
Community Investment	242	–	(5,478)	**(5,236)**	319	(4,537)
Other	5,974	–	(5,187)	**787**	5,675	1,175
Total	**10,809**	**–**	**(17,120)**	**(6,311)**	10,754	(7,040)
Total social housing activities	**291,372**	**(12,668)**	**(162,981)**	**115,723**	275,849	100,253
Non-social housing activities						
Development for sale – non-social						
Outright sales on the open market	11,209	(8,406)	(160)	**2,643**	8,325	1,157
Outright sales on the open market – joint ventures	10,768	(10,646)	–	**122**	14,419	1,688
Total	**21,977**	**(19,052)**	**(160)**	**2,765**	22,744	2,845
Other non-social housing activities						
Market rent and student lettings	1,413	–	(936)	**477**	1,392	1,034
Commercial tenancies	2,621	–	(551)	**2,070**	2,304	1,730
Other	2,703	–	(1,560)	**1,143**	2,719	800
Total	**6,737**	**–**	**(3,047)**	**3,690**	6,415	3,564
Total social and non-social housing	**320,086**	**(31,720)**	**(166,188)**	**122,178**	305,008	106,662
Surplus on disposal of properties	*13,273*	*(11,882)*	*(1,237)*	**154**	*8,619*	2,109
Surplus on disposal of other fixed assets	*2,010*	*(1,795)*	*(189)*	**26**	*55*	49
Interest receivable and similar income				**1,223**		559
Interest payable and similar charges				**(48,738)**		(48,761)
Other finance income/(cost)				**192**		(228)
Surplus on ordinary activities before taxation				**75,035**		60,390

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 2014 (continued)

2. Turnover, cost of sales, operating costs and operating surplus (continued)

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 2014 £'000**	Total 2013 £'000
Income						
Rent receivable net of identifiable service charges	216,197	18,424	6,841	4,131	**245,593**	231,192
Garage rents	887	–	–	–	**887**	937
Service charge income	10,500	4,373	1,292	2,017	**18,182**	15,971
Other revenue grants	–	54	–	–	**54**	53
Turnover from social housing lettings	**227,584**	**22,851**	**8,133**	**6,148**	**264,716**	248,153
Expenditure						
Management	(23,822)	(4,275)	(165)	(1,690)	**(29,952)**	(30,531)
Service charge costs	(11,939)	(4,970)	(1,467)	(2,293)	**(20,669)**	(20,337)
Routine maintenance	(32,685)	(2,590)	–	(149)	**(35,424)**	(34,453)
Planned maintenance	(14,263)	(1,556)	–	(28)	**(15,847)**	(15,699)
Major repairs expenditure	(14,206)	(691)	–	(86)	**(14,983)**	(14,525)
Bad debts	(2,866)	(177)	(50)	(385)	**(3,478)**	(1,667)
Depreciation of housing properties	(23,576)	(2,276)	–	(311)	**(26,163)**	(25,274)
Impairment of housing properties: write back	68	–	1,712	–	**1,780**	1,115
Other costs	(690)	(32)	–	–	**(722)**	(1,130)
Operating costs on social housing lettings	**(123,979)**	**(16,567)**	**30**	**(4,942)**	**(145,458)**	(142,501)
Operating surplus on social housing lettings	**103,605**	**6,284**	**8,163**	**1,206**	**119,258**	105,652
Void losses	**3,028**	**1,274**	**90**	**319**	**4,711**	5,032

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (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:

	2014	2013
	£'000	£'000
Non executive directors	**70**	76
Executive directors	**1,255**	1,257
Pension contributions, or pay in lieu thereof, in respect of services as directors	**146**	131
	1,471	1,464

	2014	2013
	£	£
Highest paid director	**291,490**	283,590
Pension contributions, or pay in lieu thereof, of the highest paid director	**13,944**	13,404

	2014	2013
	£'000	£'000
Expenses reimbursed to directors not chargeable to United Kingdom income tax	**18**	15

In line with all other employees, the executive directors received a 2.5% cost of living increase on 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

4. Employee information

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

	Group		Association	
	2014	2013	**2014**	2013
	Number	Number	**Number**	Number
Full time equivalents ("FTEs")	**1,494**	1,434	**1,133**	1,117

FTEs 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.

Affinity Sutton Labour Agency Limited started trading midway through the prior year; this has increased FTE staff numbers by 38 over the prior year.

	Group		Association	
	2014	2013	**2014**	2013
Staff Costs:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**49,774**	47,410	**38,915**	37,892
Social security costs	**4,545**	4,434	**3,503**	3,489
Pension costs	**3,638**	3,700	**3,415**	3,695
	57,957	55,544	**45,833**	45,076

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	
	2014	2013
	Number	Number
£290,000 to £299,999	**1**	–
£280,000 to £289,999	**–**	1
£190,000 to £199,999	**1**	–
£180,000 to £189,999	**2**	3
£140,000 to £149,999	**1**	1
£130,000 to £139,999	**1**	–
£120,000 to £129,999	**2**	1
£110,000 to £119,999	**2**	1
£100,000 to £109,999	**3**	6
£90,000 to £99,999	**5**	5
£80,000 to £89,999	**5**	7
£70,000 to £79,999	**11**	11
£60,000 to £69,999	**29**	34
	63	70

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

5. Interest payable and similar charges

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Interest on loans and overdrafts	**55,518**	52,404	**–**	1
Interest on intercompany loan	**–**	–	**79**	81
Interest payable on finance leases	**298**	324	**–**	–
Other charges	**1,615**	1,174	**23**	9
	57,431	53,902	**102**	91
Less: interest capitalised	**(8,693)**	(5,141)	**–**	–
	48,738	48,761	**102**	91

Interest is capitalised on properties under construction using the Group's weighted average interest rate for borrowings of 4.20% (2013: 4.32%).

6. Surplus/deficit on ordinary activities before taxation

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Surplus/deficit on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation	**30,912**	29,152	**1,568**	1,425
Reversal of impairment of housing properties	**(1,867)**	(1,115)	**–**	–
Operating lease rentals – land and buildings	**2,031**	2,100	**1,581**	1,664
Operating lease rentals – motor vehicles	**1,100**	1,070	**220**	239
Charitable donations	**47**	44	**47**	43

	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Auditors remuneration (excluding VAT)				
– in capacity as auditors	**142**	138	**23**	31
– other services	**81**	77	**75**	77
	223	215	**98**	108

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

7. Taxation

Analysis of charge/(credit) in period

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Current tax:				
Current tax on income for the period	**62**	32	**–**	10
Adjustment in respect of prior periods	**17**	(58)	**13**	(47)
	79	(26)	**13**	(37)
Deferred tax (see note 13):				
Reversal of timing differences	**306**	46	**–**	–
Tax charge/(credit) on surplus/deficit on ordinary activities	**385**	20	**13**	(37)

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

The current tax charge for the Group for the period is less than 23% (2013: less than 24%), the main rate of corporation tax in the UK. The current tax charge/(credit) for the Association for the period is greater than 23% (2013: less than 24%), the main rate of corporation tax in the UK. The differences are explained below:

Current tax reconciliation

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Surplus/(deficit) on ordinary activities before taxation	**75,035**	60,390	**13**	(37)
Current tax at 23% (2013: 24%)	**17,258**	14,494	**3**	(9)
Effects of:				
Adjustment in respect of prior periods	**17**	(58)	**13**	(47)
Charitable surpluses not taxed	**(17,076)**	(14,455)	**–**	–
Expenses not deductible for tax purposes	**33**	18	**24**	12
Depreciation for the period in excess of/(less than) capital allowances	**(40)**	(1)	**(32)**	7
Utilisation of tax losses	**(16)**	(33)	**–**	–
Unrealised tax losses arising in period	**5**	10	**5**	–
Entities charged at the small profits rate of 20%	**(3)**	(1)	**–**	–
Entities not subject to UK corporation tax	**(99)**	–	**–**	–
Total current tax charge/(credit) (see above)	**79**	(26)	**13**	(37)

Factors that may affect future tax charges:

The main rate of UK corporation tax (effective from 1 April 2014) that was substantively enacted at the balance sheet date was 21%. In the March 2014 Budget, the UK government maintained that the main rate will reduce to 20% from 1 April 2015, 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 2014 (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 2013	2,379,225	175,682	114,661	32,005	1,933	**2,703,506**
Additions	38,891	–	122,382	37,743	1,496	**200,512**
Schemes completed	86,225	19,521	(86,225)	(19,521)	–	**–**
Transfer to current assets	–	(602)	–	–	–	**(602)**
Change of tenure	(67)	(95)	–	–	162	**–**
Disposals (including replaced components)	(13,248)	(4,933)	–	–	–	**(18,181)**
At 31 March 2014	**2,491,026**	**189,573**	**150,818**	**50,227**	**3,591**	**2,885,235**
Social Housing Grant						
At 1 April 2013	(819,720)	(39,948)	(26,833)	(2,319)	–	**(888,820)**
Received in year	–	–	(19,404)	(1,130)	–	**(20,534)**
Schemes completed	(23,592)	(1,915)	23,592	1,915	–	**–**
Change of tenure	(6)	6	–	–	–	**–**
Eliminated on disposals	2,053	1,440	–	–	–	**3,493**
At 31 March 2014	**(841,265)**	**(40,417)**	**(22,645)**	**(1,534)**	**–**	**(905,861)**
Other grants						
At 1 April 2013	(56,609)	(1,637)	(4,642)	–	–	**(62,888)**
Received in year	(257)	–	(16)	(1,065)	–	**(1,338)**
Schemes completed	(2,116)	(1,065)	2,116	1,065	–	**–**
Eliminated on disposals	147	70	–	–	–	**217**
At 31 March 2014	**(58,835)**	**(2,632)**	**(2,542)**	**–**	**–**	**(64,009)**
Depreciation and impairment						
At 1 April 2013	(223,159)	(1,712)	(68)	–	(34)	**(224,973)**
Charge for the year	(26,262)	–	–	–	(38)	**(26,300)**
Impairment: write back	–	1,712	68	–	–	**1,780**
Eliminated on disposals	7,749	–	–	–	–	**7,749**
At 31 March 2014	**(241,672)**	**–**	**–**	**–**	**(72)**	**(241,744)**
Net book value						
At 31 March 2014	**1,349,254**	**146,524**	**125,631**	**48,693**	**3,519**	**1,673,621**
Net book value						
At 31 March 2013	1,279,737	132,385	83,118	29,686	1,899	1,526,825

	2014 £'000	2013 £'000
Housing Properties comprise		
Freeholds	**1,623,201**	1,480,833
Long leaseholds	**50,420**	45,992
	1,673,621	1,526,825

Development and major works additions and improvements to housing properties during the year include capitalised interest of £8.7 million (2013: £5.1 million) and capitalised administration costs of £3.6 million (2013: £4.0 million).

Total expenditure in 2014 on works to existing properties was £55.4 million (2013: £61.3 million) of which £40.4 million (2013: £46.8 million) has been capitalised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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 2013	25,413	1,718	46,339	7,446	**80,916**
Additions	673	186	4,287	–	**5,146**
Reclassifications	(151)	1	150	–	**–**
Disposals	(2,359)	(977)	(25,798)	(75)	**(29,209)**
Revaluation	–	–	–	169	**169**
At 31 March 2014	**23,576**	**928**	**24,978**	**7,540**	**57,022**
Depreciation					
At 1 April 2013	(6,035)	(887)	(33,306)	–	**(40,228)**
Charge for the year	(421)	(105)	(4,086)	–	**(4,612)**
Reclassifications	(249)	–	249	–	**–**
Eliminated on disposals	693	795	25,821	–	**27,309**
At 31 March 2014	**(6,012)**	**(197)**	**(11,322)**	**–**	**(17,531)**
Net book value					
At 31 March 2014	**17,564**	**731**	**13,656**	**7,540**	**39,491**
Net book value					
At 31 March 2013	19,378	831	13,033	7,446	40,688

	2014 £'000	2013 £'000
Historical cost of investment properties		
Gross cost	**2,176**	2,209
Historical cost net book value	**2,176**	2,209

The investment properties were valued as at 31 March 2014 by Jones Lang LaSalle Ltd, Chartered Surveyors, on the basis of Market Value, as defined in "RICS Valuation – Professional Standards – Global & UK Edition", January 2014.

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.

During the year £27,744,000 of fully-depreciated assets were written off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

9. Non-housing fixed assets (continued)

Association	**Office Equipment & Motor Vehicles £'000**
Cost	
At 1 April 2013	13,218
Additions	3,646
Transfers to other Group members	(104)
Disposals	(5,307)
At 31 March 2014	**11,453**
Depreciation	
At 1 April 2013	(7,992)
Charge for the year	(1,568)
Transfers to other Group members	–
Eliminated on disposals	5,255
At 31 March 2014	**(4,305)**
Net book value	
At 31 March 2014	**7,148**
Net book value	
At 31 March 2013	5,226

During the year £5,219,000 of fully-depreciated assets were written off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Fixed asset investments

Group	2014 £'000	2013 £'000
72 Farm Lane Developments LLP	**48**	39
261 City Road Developments LLP	**21**	21
Linden/Downland Graylingwell LLP	**24,277**	24,277
Equity Loans	**2,603**	2,057
	26,949	26,394

72 Farm Lane Developments LLP & 261 City Road Developments LLP
The Group has capitalised costs incurred in relation to its investments in these LLPs.

	2014 £'000	2013 £'000
Linden/Downland Graylingwell LLP		
At the beginning of the year	**24,277**	20,550
Net drawdowns by the LLP	**–**	3,727
At the end of the year	**24,277**	24,277

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.

Since 1 April 2012, no interest has been recognised based on the Group's assessment of the recoverability of the capital and interest. Furthermore, no change in the £10,583,000 impairment provision has been deemed necessary during this time.

Equity Loans
The Group has issued loans to a number of homeowners as part of its development activity. These are secured against their properties and the eventual amount repayable indexes in line with the value of the property. Interest and repayment terms vary.

Association

	2014 £'000	2013 £'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 2014 (continued)

11. Investments 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 joints ventures comprise the following:

			2014			
	Farm Lane £'000	**City Road £'000**	**Graylingwell £'000**	**Ramsden £'000**	**Wilmington £'000**	**Total £'000**
Turnover	–	–	6,546	723	3,499	**10,768**
Cost of sales	–	–	(7,750)	(503)	(2,393)	**(10,646)**
Operating surplus/(deficit)	–	–	(1,204)	220	1,106	**122**
Interest payable	–	–	(194)	–	–	**(194)**
Surplus/(deficit) for the year	**–**	**–**	**(1,398)**	**220**	**1,106**	**(72)**
Share of:						
Current assets	25,913	27,633	57,865	133	247	**111,791**
Liabilities due within one year	(12,453)	(15,183)	(15,828)	(124)	(152)	**(43,740)**
Liabilities due after one year	–	–	(45,483)	–	–	**(45,483)**
Net assets/(liabilities)	**13,460**	**12,450**	**(3,446)**	**9**	**95**	**22,568**

			2013			
	Farm Lane £'000	City Road £'000	Graylingwell £'000	Ramsden £'000	Wilmington £'000	Total £'000
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

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 2014 (continued)

12. Stock – Group

	2014 £'000	2013 £'000
Properties in the course of construction – social	**19,856**	12,924
Completed properties – social	**2,259**	445
Properties in the course of construction – non-social	**58,886**	33,788
Completed properties – non-social	**128**	2,164
	81,129	49,321

Properties in the course of construction – non-social: £33,814,000 relates to an 80-unit development at Finchley Road, Hampstead Reach. By the year-end, reservation deposits had been taken for 49 of the 60 units to be sold on the open market, and which are expected to complete from September 2014.

13. Debtors

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts falling due within one year				
Rents and service charges	**18,274**	16,499	**–**	–
Provision for bad debts	**(8,384)**	(5,755)	**–**	–
	9,890	10,744	**–**	–
Social Housing Grant receivable	**2,327**	1,892	**–**	–
Amounts due from Group undertakings	–	–	**2,355**	703
Deferred tax assets	**21**	327	**–**	–
Other debtors and prepayments	**7,766**	7,801	**2,220**	1,922
	20,004	20,764	**4,575**	2,625
Amounts falling due after one year				
Other debtors and prepayments	**10,913**	3,590	**–**	–

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 2014 has been calculated based on the rate of 21% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Group's deferred tax assets accordingly.

Included in other debtors and prepayments due after one year is £10,913,000 lent to 261 City Road Developments LLP (2013: £3,159,000). Interest is charged at LIBOR plus 5.5%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

14. Current Investments – Group

	2014	2013
	£'000	£'000
Cash held on deposit	**1,513**	–

Funds held by Igloo, the Group's insurance vehicle, have been invested on a short-term basis.

As at the year-end, £1,013,000 is held in an unbreakable Barclays fixed deposit account which matures in December 2014. £500,000 is invested with Credit Suisse in 12-month Certificates of Deposit; these mature in January 2015 but it is expected that they can be liquidated at short notice, if necessary.

15. Creditors: amounts falling due within one year

	Group		**Association**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Bank overdraft	**–**	–	**–**	51
Obligations under finance leases	**472**	417	**–**	–
Trade creditors	**5,696**	3,281	**220**	73
Recycled Capital Grant Fund	**110**	197	**–**	–
Amounts due to Group undertakings	**–**	–	**440**	534
Other taxation and social security	**23**	26	**–**	151
Accruals and deferred income	**49,575**	38,609	**4,225**	3,921
Other creditors	**12,135**	11,283	**951**	575
Corporation tax	**66**	22	**–**	10
Housing loans (see note 16)	**6,574**	6,433	**–**	–
	74,651	60,268	**5,836**	5,315

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

16. Creditors: amounts falling due after more than one year

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Housing loans	**813,040**	717,364	**–**	–
Loan set-up costs	**(3,311)**	(3,172)	**–**	–
Net housing loans	**809,729**	714,192	**–**	–
Bond	**497,345**	497,280	**–**	–
Bond set-up costs	**(2,940)**	(2,974)	**–**	–
Net bond	**494,405**	494,306	**–**	–
Amounts due to Group undertakings	**–**	–	**7,500**	3,500
Obligations under finance leases	**3,406**	3,989	**–**	–
Recycled Capital Grant Fund	**3,522**	1,599	**–**	–
Disposal Proceeds Fund	**1,038**	209	**–**	–
Other creditors	**8**	32	**–**	–
	1,312,108	1,214,327	**7,500**	3,500

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

	2014	2013
	£'000	£'000
Housing loans are repayable, otherwise than by instalments as follows:		
Between one and two years	**30,489**	6,588
Between two and five years	**107,937**	102,178
In five years or more	**674,614**	608,598
	813,040	717,364

The final instalments by tranche of borrowing fall to be repaid between 2017 and 2042 (2013: between 2016 and 2042).

Loans bear fixed rates of interest ranging from 5.10% to 11.64% (2013: 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:

	2014	2013
	£'000	£'000
Fixed-rate	**456,325**	463,348
Index-linked	**2,198**	2,268
Floating-rate	**361,091**	258,181
	819,614	723,797

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 £1.46 billion (2013: £1.39 billion).

At 31 March 2014, the Affinity Sutton Group has £1.65 billion of debt facilities available (2013: £1.66 billion), of which £334 million is undrawn (2013: £435 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

17. Creditors: analysis of movement on funds – Group

	2014	2013
	£'000	£'000
Obligations under finance leases		
Due less than 1 year	**472**	417
Due between 1 and 2 years	**517**	455
Due between 2 and 5 years	**1,890**	1,674
Due in 5 years or more	**999**	1,860
	3,878	4,406

	2014	2013
	£'000	£'000
Recycled Capital Grant Fund		
At the beginning of the year	**1,796**	1,543
Additions to fund due to disposals	**3,092**	1,205
Interest accrued	**11**	10
Utilised against new properties	**(1,267)**	(962)
At the end of the year	**3,632**	1,796
Amount due for repayment to the HCA and/or GLA	**–**	–

	2014	2013
	£'000	£'000
Disposal Proceeds Fund		
At the beginning of the year	**209**	–
Additions to fund due to disposals	**827**	209
Interest accrued	**2**	–
At the end of the year	**1,038**	209
Amount due for repayment to the HCA and/or GLA	**–**	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

18. Provisions for liabilities and charges – Group

	2014	2013
	£'000	£'000
Pension liabilities		
Downland Housing Group Pension & Assurance Scheme	**1,995**	1,788
Hertfordshire County Council Pension Fund	**549**	3,536
London Borough of Bromley Pension Fund	**2,729**	5,325
London Pensions Fund Authority Pension Fund	**4,921**	6,516
William Sutton Housing Association Final Salary Scheme	**18,600**	18,500
	28,794	35,665

In accordance with FRS17 'Retirement Benefits' the Group has recognised the above pension fund liabilities (see note 25).

	2014	2013
	£'000	£'000
Other provisions		
Surrender of lease	**–**	651
Dilapidations	**60**	50
Other	**–**	10
	60	711

In the prior year, the Group ended its Norris House office lease early and the above provision was made for rent and other costs for the remainder of the lease term, as well as dilapidations, discounted at 8% per annum. This was settled for £607,000 during the current year and the £44,000 over-provision was released.

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

19. Share capital

	2014	2013
	£	£
Shares of £1 allotted, issued and fully paid		
At beginning of year	**17**	19
Net movement during the year	**–**	(2)
At the end of the year	**17**	17

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 2014 (continued)

20. Reserves

Group

	Revaluation reserve £'000	Income and expenditure account £'000	Total £'000
At 1 April 2013	5,300	453,131	**458,431**
Surplus for the year – Group	–	74,722	**74,722**
Deficit for the year – interests in joint ventures	–	(72)	**(72)**
Investment property revaluation at 31 March 2014	169	–	**169**
Transfer on disposal of investment properties	(41)	41	**–**
Actuarial gains on pension schemes	–	476	**476**
At 31 March 2014	**5,428**	**528,298**	**533,726**

Association

	Income and expenditure account £'000
At 1 April 2013	(614)
Surplus for the year	–
At 31 March 2014	**(614)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

21. Capital commitments

Group	2014	2013
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	**229,727**	257,128
Capital expenditure authorised by the Board not contracted for	**134,230**	220,159

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 (£26,898,000; 2013: £31,733,000), 72 Farm Lane LLP (£13,392,000; 2013: £nil), Ramsden Regeneration LLP (£151,000; 2013: £395,000) and Wilmington Regeneration LLP (£410,000; 2013: £1,972,000). It also includes £nil (2013: £11,550,000) for undrawn equity committed to 72 Farm Lane Developments LLP.

Capital commitments authorised by the board but not contracted for includes £47,078,000 (2013: £51,402,000) 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 £nil (2013: £25,446,000) for the Group's share of capital expenditure relating to 72 Farm Lane Developments LLP, which is now in contract.

At the year-end the Group had £73m of cash and £334m of undrawn funding, plus £27m 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 (2013: £nil).

22. 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		Motor vehicles	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	**60**	138	**269**	233
Between two and five years	**1,194**	1,324	**749**	667
After five years	**370**	285	**–**	–
	1,624	1,747	**1,018**	900

Association	Land and buildings		Motor vehicles	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	**42**	79	**52**	6
Between two and five years	**1,109**	1,239	**142**	177
After five years	**46**	–	**–**	–
	1,197	1,318	**194**	183

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

23. Accommodation in management – Group

	General Needs Housing	Affordable	Supported	Shared Ownership	Leasehold	Keyworker	Student	Market Rent	Total
Number of units									
At 1 April 2013	39,166	1,556	4,241	2,164	8,630	530	55	125	**56,467**
Additions	263	270	6	198	–	–	–	–	**737**
Conversion to Affordable	(1,405)	1,405	–	–	–	–	–	–	**–**
Demolitions	(46)	–	(55)	–	–	–	–	–	**(101)**
Other movements	(92)	5	(10)	(42)	(103)	(6)	–	1	**(247)**
At 31 March 2014	**37,886**	**3,236**	**4,182**	**2,320**	**8,527**	**524**	**55**	**126**	**56,856**

	2014 Units	2013 Units
Owned and managed	**54,824**	54,435
Managed on behalf of others	**2,032**	2,032
	56,856	56,467
Managed by others	**650**	679

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

24. Notes to the Group Cash Flow Statement

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

	2014 £'000	2013 £'000
Operating surplus	**122,178**	106,662
Non cash flow items:		
Interests in joint ventures – surplus included	**(122)**	(1,688)
– distributions received	**2,845**	3,234
Depreciation	**30,912**	29,152
Amortisation of set-up costs	**358**	363
Unwinding of bond liability	**65**	–
Impairment of properties: write back	**(1,867)**	(1,115)
Increase in stock	**(31,119)**	(24,880)
Decrease/(increase) in debtors	**(6,434)**	5,932
Increase/(decrease) in creditors	**5,532**	(1,031)
Increase/(decrease) in other provisions	**(651)**	711
FRS17 'Retirement Benefits' adjustment	**(6,203)**	(3,272)
Net cash flow from operating activities	**115,494**	114,068

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

	2014 £'000	2013 £'000
Decrease in net cash in period	**(14,315)**	(7,888)
Set-up costs paid	**463**	1,275
Cash outflow from movement in fixed asset investments	**555**	1,974
Cash outflow from movement in current investments	**1,513**	–
Cash outflow/(inflow) from movement in housing loans	**(95,817)**	195,098
Cash inflow from movement in bonds	**–**	(247,280)
Repayment of finance lease	**528**	357
Change in net debt resulting from cash flows	**(107,073)**	(56,464)
Amortisation of set-up costs	**(358)**	(363)
Unwinding of bond liability	**(65)**	–
Net debt at the beginning of the year	**(1,105,477)**	(1,048,650)
Net debt at the end of the year	**(1,212,973)**	(1,105,477)

(iii) Reconciliation of net debt

	Net cash and overdraft £'000	Fixed asset investments £'000	Current asset investments £'000	Finance leases £'000	Net housing loan and bond £'000	Net debt £'000
At 1 April 2013	87,466	26,394	–	(4,406)	(1,214,931)	**(1,105,477)**
Net cash flow	(14,315)	555	1,513	528	(95,354)	**(107,073)**
Other non-cash changes	–	–	–	–	(423)	**(423)**
At 31 March 2014	**73,151**	**26,949**	**1,513**	**(3,878)**	**(1,310,708)**	**(1,212,973)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group

From 1 January 2014, the Group offers new joiners participation in the defined contribution section of the Social Housing Pension Scheme, having previously offered entry into the defined benefit section, which was fully closed to new entrants on the same date. Affinity Sutton Labour Agency Limited, Community Building Services (CBS) Limited and Grange Management (Southern) Limited offer entry into 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 (Defined Contribution)

This scheme is administered by The Pensions Trust 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	Employer contributes
Up to 7.5%	Up to 7.5%
More than 7.5%	7.5%

Social Housing Pension Scheme (Defined Benefit) ("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%.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2013. 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 £2,718 million. The actuarial report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

The next triennial formal valuation of the scheme will be as at 30 September 2014. The results of this valuation will be available in Spring 2016.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

Social Housing Pension Scheme (Defined Benefit) ("SHPS") (continued)

- 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

Since 1 April 2013 the Group has paid contributions at the rate of 7.5%. Member contributions 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).

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 formal 2011 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 £1.6 million in 2014/15, rising to a maximum of £2.0 million in 2019/20, before falling to £1.6 million 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).

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 £599,000 for the year starting 1 April 2014.

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 will be as at 31 March 2013. The valuation was under the projected unit credit method.

During the year the Group successfully concluded discussions with the administrators of the Fund over proposals to close the Fund to future accrual from 30 June 2013. The Group made a payment to the Fund as part of an agreed deficit recovery plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

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 successfully concluded discussions with the administrators of the Fund over proposals to close the Fund to future accrual from 30 June 2013. The Group made a payment to the Fund as part of an agreed deficit recovery plan.

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 2013.

During the year the Group successfully concluded discussions with the administrators of the Fund over proposals to close the Fund to future accrual from 30 June 2013. The Group made a payment to the Fund as part of an agreed deficit recovery plan.

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

The Scheme is a defined benefit funded pension scheme. The most recent actuarial valuation was as at 30 September 2012. The Group closed the scheme to future accrual as at 30 June 2013, but continues to make ongoing deficit payments as agreed with the scheme trustee.

The Scheme assets do not include investments issued by the Group or any property occupied by the Group.

The overall expected rate of return on the Scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The Group expects to contribute approximately £2.6m for the year starting 1 April 2014. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

Friends Provident

This scheme is administered by Friends Provident and is a defined contribution scheme, currently open only to employees of Affinity Sutton Labour Agency Limited, Community Building Services (CBS) Limited and Grange Management (Southern) Limited. The employer contribution rate per annum payable by members of the Group is dependent on the contribution by the employee as follows:

Employee contributes	Affinity Sutton Group Limited contributes
5%	10%

Employee contributes	Affinity Sutton Labour Agency Limited contributes
Up to 5%	Up to 5%
More than 5%	5%

Employee contributes	Community Building Services (CBS) Limited contributes
Up to 3%	Up to 6%
More than 3%	6%

Employee contributes	Grange Management (Southern) Limited contributes
Up to 5%	Up to 10%
More than 5%	10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. 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 2014	**Downland £'000**	**Herts Council £'000**	**LB Bromley £'000**	**London Pensions £'000**	**William Sutton £'000**	**Total £'000**
Fair value of scheme assets	8,327	17,230	16,599	16,309	65,700	**124,165**
Present value of scheme liabilities	(10,322)	(17,779)	(19,328)	(21,230)	(84,300)	**(152,959)**
Net liability in balance sheet	**(1,995)**	**(549)**	**(2,729)**	**(4,921)**	**(18,600)**	**(28,794)**
Movements in fair value of scheme assets						
At 1 April 2013	7,364	14,831	13,470	15,160	63,600	**114,425**
Expected return on scheme assets	465	778	825	863	3,900	**6,831**
Contributions by members	–	5	11	18	–	**34**
Actuarial gains/(losses)	54	738	1,804	(221)	(600)	**1,775**
Contributions by employer	596	1,711	1,146	1,185	2,000	**6,638**
Benefits paid	(152)	(833)	(657)	(696)	(3,200)	**(5,538)**
At 31 March 2014	**8,327**	**17,230**	**16,599**	**16,309**	**65,700**	**124,165**
Movements in present value of scheme liabilities						
At 1 April 2013	9,152	18,367	18,795	21,676	82,100	**150,090**
Current service cost	–	21	46	68	300	**435**
Interest on obligation	417	808	795	919	3,700	**6,639**
Contributions by members	–	5	11	18	–	**34**
Actuarial losses/(gains)	905	(589)	338	(755)	1,400	**1,299**
Estimated unfunded benefits paid	–	–	–	(4)	–	**(4)**
Estimated benefits paid	(152)	(833)	(657)	(692)	(3,200)	**(5,534)**
At 31 March 2014	**10,322**	**17,779**	**19,328**	**21,230**	**84,300**	**152,959**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. 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 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)

	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
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

	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
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)
Curtailment 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 2014 (continued)

25. 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 2014						
Current service cost	–	21	46	68	300	**435**
Interest on obligation	417	808	795	919	3,700	**6,639**
Expected return on scheme assets	(465)	(778)	(825)	(863)	(3,900)	**(6,831)**
	(48)	**51**	**16**	**124**	**100**	**243**
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

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 2014						
Operating costs	–	21	46	68	300	**435**
Other finance cost/(income)	(48)	30	(30)	56	(200)	**(192)**
	(48)	**51**	**16**	**124**	**100**	**243**
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

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial gains is £476,000 (2013: £1,418,000).

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 £30,337,000 (2013: £30,813,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

History of schemes	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Downland					
Fair value of scheme assets	**8,327**	7,364	7,724	7,192	7,049
Present value of scheme liabilities	**(10,322)**	(9,152)	(10,348)	(8,416)	(9,498)
Deficit	**(1,995)**	(1,788)	(2,624)	(1,224)	(2,449)
Herts Council					
Fair value of scheme assets	**17,230**	14,831	12,673	12,469	11,861
Present value of scheme liabilities	**(17,779)**	(18,367)	(16,676)	(15,609)	(18,266)
Deficit	**(549)**	(3,536)	(4,003)	(3,140)	(6,405)
LB Bromley					
Fair value of scheme assets	**16,599**	13,470	12,262	12,236	13,122
Present value of scheme liabilities	**(19,328)**	(18,795)	(17,710)	(15,540)	(18,552)
Deficit	**(2,729)**	(5,325)	(5,448)	(3,304)	(5,430)
London Pensions					
Fair value of scheme assets	**16,309**	15,160	13,336	13,027	12,149
Present value of scheme liabilities	**(21,230)**	(21,676)	(19,888)	(16,863)	(19,352)
Deficit	**(4,921)**	(6,516)	(6,552)	(3,836)	(7,203)
William Sutton					
Fair value of scheme assets	**65,700**	63,600	57,100	56,000	51,600
Present value of scheme liabilities	**(84,300)**	(82,100)	(78,600)	(70,900)	(73,400)
Deficit	**(18,600)**	(18,500)	(21,500)	(14,900)	(21,800)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

Experience adjustments

	2014	2013	2012	2011	2010
	%	%	%	%	%
Downland					
Experience gains/(losses) as % of scheme assets	**0.65**	6.78	(2.87)	(4.19)	2.78
Experience losses/(gains) as % of scheme liabilities	**(1.08)**	(3.21)	0.06	(1.71)	2.06
Herts Council					
Experience gains/(losses) as % of scheme assets	**4.28**	8.02	(4.67)	(1.91)	19.87
Experience losses/(gains) as % of scheme liabilities	**(2.83)**	(0.22)	1.86	1.03	(20.22)
LB Bromley					
Experience gains/(losses) as % of scheme assets	**10.87**	7.61	(2.90)	(10.80)	29.50
Experience losses as % of scheme liabilities	**1.83**	–	–	11.60	–
London Pensions					
Experience gains/(losses) as % of scheme assets	**(1.36)**	7.31	(5.65)	(0.82)	17.47
Experience losses/(gains) as % of scheme liabilities	**6.23**	(0.14)	0.13	7.87	0.25
William Sutton					
Experience gains/(losses) as % of scheme assets	**(0.91)**	5.66	(4.38)	4.46	17.05
Experience losses/(gains) as % of scheme liabilities	**(0.36)**	0.97	(0.64)	(0.42)	0.95

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. 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 2014	**Downland £'000**	**Herts Council £'000**	**LB Bromley £'000**	**London Pensions £'000**	**William Sutton £'000**	**Total £'000**
Fair value of scheme assets:						
Equities	5,758	12,750	12,415	8,644	48,600	**88,167**
Gilts	609	–	498	–	–	**1,107**
Other bonds	1,300	2,929	2,208	–	11,500	**17,937**
Property	660	1,034	–	489	5,200	**7,383**
Cash	–	517	50	489	–	**1,056**
LDI/Cashflow matching	–	–	–	979	–	**979**
Target return portfolio	–	–	–	4,893	–	**4,893**
Other	–	–	1,428	815	400	**2,643**
	8,327	17,230	16,599	16,309	65,700	**124,165**
Present value of scheme liabilities	(10,322)	(17,779)	(19,328)	(21,230)	(84,300)	**(152,959)**
Deficit	**(1,995)**	**(549)**	**(2,729)**	**(4,921)**	**(18,600)**	**(28,794)**

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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Pensions – Group (continued)

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

At 31 March 2014	**Downland**	**Herts Council**	**LB Bromley**	**London Pensions**	**William Sutton**
Inflation	3.3%	n/a	2.4%	2.8%	3.3%
Salary increases	n/a	3.9%	n/a	4.6%	4.3%
Pension increases in payment	3.3%	2.6%	2.4%	2.8%	2.4%
Discount rate	4.5%	4.1%	4.3%	4.4%	4.4%
Expected return on scheme assets:					
Equities	7.5%	6.6%	7.0%	6.9%	7.0%
Gilts	3.5%	–	3.4%	–	–
Other bonds	4.2%	4.0%	4.3%	–	3.4%
Property	6.5%	4.8%	–	5.7%	6.0%
Cash	–	3.7%	0.5%	3.4%	–
LDI/Cashflow matching	–	–	–	3.6%	–
Target return portfolio	–	–	–	6.3%	–
Other	–	–	7.0%	6.4%	0.5%

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%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. 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 S2PMA for males and S2PFA for females projected using CMI_2013_M(1%) and CMI_2013_F(1%) with ages rated up 1 year.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	21.2
	Females	23.1
Retiring in 20 years	Males	22.6
	Females	24.6

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	22.3
	Females	24.5
Retiring in 20 years	Males	24.3
	Females	26.7

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 2013. The post-retirement mortality tables adopted were the S1PA CMI_2012(1%) series with a 97% multiplier for males and 91%/97% for females.

Retiring today	Males	23.0
	Females	25.4
Retiring in 20 years	Males	25.3
	Females	28.3

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 2013. The post-retirement mortality tables have been constructed based on Club Vita mortality analysis. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	22.3
	Females	25.3
Retiring in 20 years	Males	24.6
	Females	27.6

William Sutton Housing Association Final Salary Scheme

Life expectancy is based on 47% of the standard tables S1PxA Year of Birth, no age rating, projected using CMI_2013 converging to 1.50% p.a. for males and 1.25% for females.

Retiring today	Males	23.1
	Females	25.1
Retiring in 20 years	Males	25.3
	Females	27.0

26. 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 2014 (continued)

27. 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:

	2014	2013
	£'000	£'000
Aashyana Housing Association Limited	**152**	177
Affinity Sutton Community Foundation	**2,493**	2,313
Affinity Sutton Homes Limited	**57,848**	54,838
Affinity Sutton Investments Limited	**46**	143
Affinity Sutton Labour Agency Limited	**100**	100
Affinity Sutton Professional Services Limited	**2,055**	2,641
Broomleigh Regeneration Limited	**75**	14
Community Building Services (CBS) Limited	**1,207**	1,116
Grange Management (Southern) Limited	**392**	398
William Sutton Developments Limited	**161**	233
	64,529	61,973

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

28. 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 2014 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 companies are considered to be subsidiary companies because of the control exercised by the Board of Affinity Sutton Group Limited, or because they are wholly-owned subsidiaries of such companies.

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

Affinity Sutton

Affinity Sutton Group Limited

Industrial and Provident Society No.28038R
Homes & Communities Agency No. LH4087

Registered Office:
Level 6, 6 More London Place
Tooley Street, London SE1 2DA
Telephone 0300 100 0303

www.affinitysutton.com