

ANNUAL REPORT AND
FINANCIAL STATEMENTS
2014/15



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FOREWORD BY THE GROUP CHAIRMAN AND THE GROUP CHIEF EXECUTIVE

We are pleased to present Affinity Sutton's 2014/15 Annual Report and Financial Statements. The Group has ended the year once again in a strong position which builds on our past record and maintains the solid foundations we need as we seek to maintain high service standards, build more homes and invest in our communities in the future. The exceptional financial results are mirrored by some real successes on the ground too, including delivering record numbers of new homes and achieving over 80% customer satisfaction.

We generated a surplus of £124 million on a turnover of £430 million. Once again, and just as we have since the Affinity Sutton group was formed nearly a decade ago, we invested our entire surplus in new and existing social homes. £37 million went directly into improvements to our existing properties, benefitting some 16,000 residents - and we spent a further £67 million on non-capitalised repairs and maintenance, for example redecorating over 5,000 properties. The remainder of our surplus was used to meet some of the £109 million cost (net of government grant) we invested in building new social and affordable homes for rent and low cost home ownership. This year only £31 million - that's just 22% of the cost of these new homes - came from government grant. But against the backdrop of reducing grant, we built more homes than ever before, completing 1,436 new homes in the year, including



1,236 for below-market rent or shared ownership. This, and our forward plans, are made possible by our robust financial profile: our cash and liquidity position remains strong, and during the year our strong performance meant that our debt levels reduced slightly.

Primarily, we are a social landlord and delivering excellent services to our tenants is at the heart of what we do. But one of our core aims as a charitable housing association group is to continue to build new homes across a range of tenures. This is perhaps more important now than ever as even those on reasonable incomes find it difficult to rent or buy a home in the market, but we recognise that increasingly, funding for those new homes must come from our own resources and private debt. Our strong financial position forms the vital foundation for a sustainable long-term programme of development with limited or no government grant. During the year we increased our aspirations so that now we expect to build nearly 12,500 new homes over the next 10 years, the majority being for sub-market rent or shared ownership. This will cost an estimated £3.1 billion, of which only a fraction is currently budgeted to come from public funds.

But we must invest heavily in our existing housing too, properties that average about 45 years old and in some cases built over 100 years ago. Regeneration and investment in major replacement and improvement programmes to our existing homes must be funded entirely from our own reserves and subsidised in part by the development of some homes for sale, often as part of redevelopment plans. This is far from easy and not always popular.

Take the Sutton Estate in Chelsea, an estate which completed in 1913 and funded entirely from the bequest of our founder, William Sutton. The estate currently provides social homes for 303 families, but despite considerable investment over the years, most of the blocks have reached the end of their useful lives. The flats are very small, and many

do not have the modern facilities that our tenants deserve, such as lifts and purpose-built bathrooms. Renovation is uneconomic and would result in a sizeable reduction in homes and income. Hence, the only sensible option is to replace those homes for our existing tenants and for future generations of local people priced out of the market. To secure the future of affordable housing in one of the most expensive parts of London is only feasible if we allocate a proportion of the new homes for sale on the open market. This is not universally popular, but we believe not only that it's the right thing to do, but that it will be entirely consistent with the entrepreneurial spirit that characterised William Sutton's successful career. We feel sure that he would approve too of our plans to use the profits to provide new social housing in the vicinity of the current scheme as far as possible.

Our position at the heart of so many of the communities where we work, whether in London, the South East or the Midlands, the South West or the North, places us in a strong position to deliver much more than just a safe and secure roof over people's heads. Our multi-award winning community investment programme is one of the largest of any housing association in the country, and makes a real difference to the lives of many of our residents. We used our financial strength to establish our Community Foundation in 2010 to deliver a major programme of investment in our communities. Through our work with the Housing Association Charitable Trust and Smetrica, the overall social value of our community investment work is calculated to be £70 million, a social return of 14 times every pound our Foundation invests.

For the past five years our work has received a 'Big Tick' from BITC, the UK's leading body for promoting responsible business practice. In 2014/15 we continued to make a real difference to the lives of many people. Key achievements include:

- Supporting a record 904 residents into work, including a record 104 into

Surplus vs long-term investment in social housing (net of grant)



apprenticeships. And we helped 81% to sustain their employment beyond the critical first 6 months through our 'in work' support service;

- Making 47 business start-up grants;
- Supporting over 1,600 residents with high-quality free debt advice through our partner agencies; and
- Engaging 7,450 young people, helping around 1,250 to move on positively in their lives through accredited training, volunteering and jobs.

Perhaps one of the greatest current challenges facing both private and social landlords is how to provide excellent day-to-day repairs services in a timely and cost effective way. The market is made up of a small number of suppliers and service performance can be variable. Like many other associations, we have struggled to deliver the standards we strive for and so we took the important decision during the year to set up a new repairs delivery company alongside CBS, our long-established in-house provider, thereby bringing all day-to-day services in house. The new company, Affinity Sutton Repairs Limited, which delivers repairs to just under 17,000 homes in the South, took over service delivery from the previous supplier on 1 May 2015. Although it is early days, performance so far is encouraging and the aim is to match the achievements of CBS, which secured customer satisfaction by the year end of an impressive 87.9%.

Much of our focus during the year was taken up with our ambitious investment in customer service improvements through our Future Foundations Programme. This exciting programme will see us develop world-class systems for service delivery through new ways of working with our customers, and streamlined, more efficient processes. This will only be possible through the implementation of a new Enterprise Resource Planning IT

system to provide a new single solution across the business. We were very pleased to announce the selection of Hitachi as implementation partner who will work with us over the next three years to roll out a Microsoft Dynamics product. This will provide market-leading customer relationship management, with flexible and scalable systems across our IT landscape. As well as providing our residents with a range of channels for them to choose how they do business with us, it will give our staff simpler and better systems and the tools to provide better, more consistent customer services.

Maintaining strong performance in service delivery and investment in communities, coupled with an effective, large scale development programme and strong finances are all vital to our continued success. The operating environment is becoming ever more challenging but few, if any, are better placed than Affinity Sutton to continue to prosper.

The new government's proposals to extend the Right to Buy to all housing association tenants, alongside rent reductions and further welfare and benefit cuts announced in the Budget on 8 July 2015 will require a significant re-assessment of our forward strategy. The abandonment of the 10-year rent increase guarantee agreed by government as recently as 2014 and introduced only in April 2015 in favour of a new requirement to reduce rents by 1% p.a. for the next four years is of particular concern. Affinity Sutton is financially robust enough to deal with the consequences but such actions by government make long-term planning challenging.

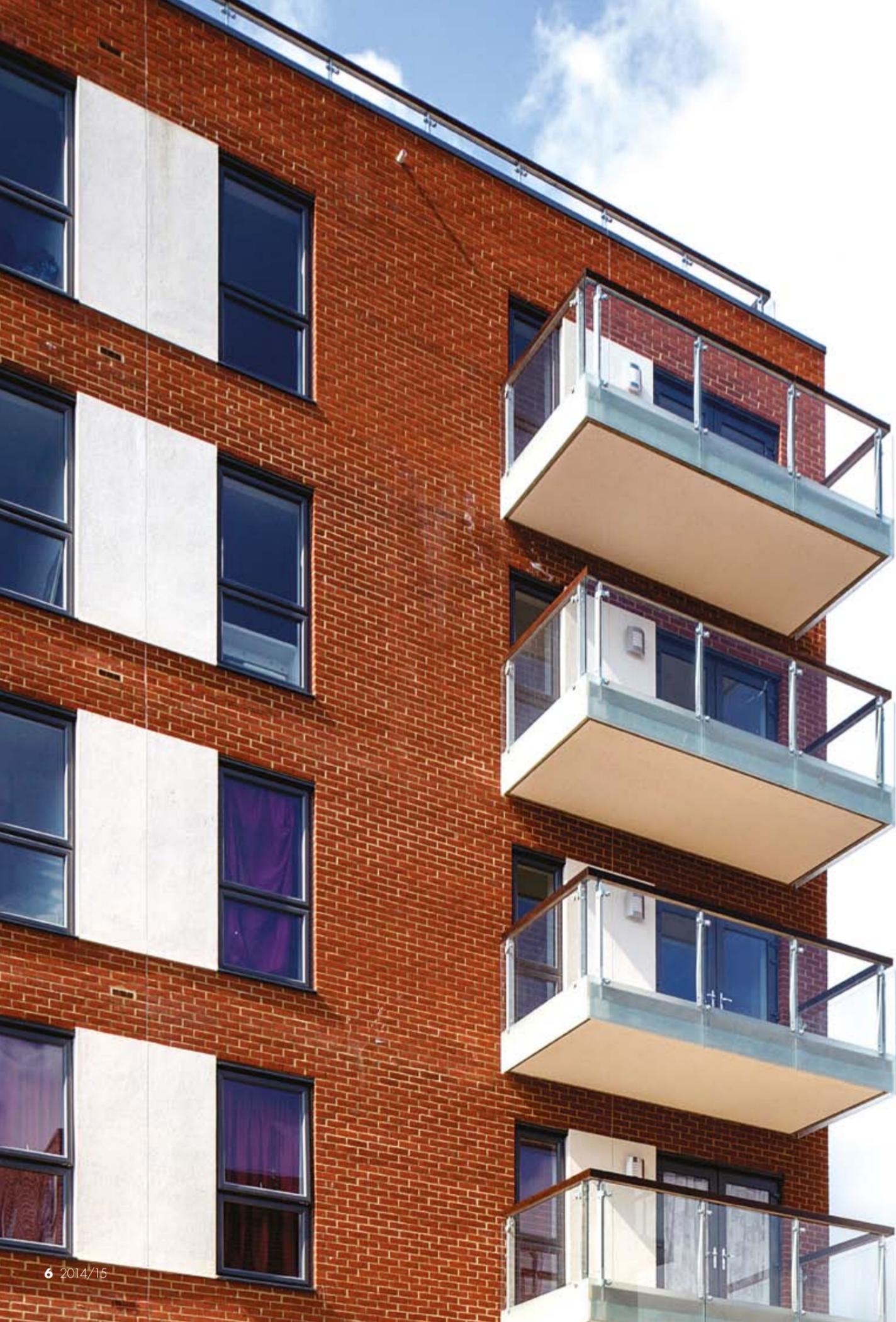
The net impact of the new rent requirements is a significant reduction in income over 4 years and beyond, which will clearly impact on our development capacity. Even so, we are determined to play our part in building as many new homes as we can and so maintaining and enhancing our capacity to do so remains a central part of our plans. This includes growth through merger, which



has served us well in the past and in which we have an impressive track record. This is not a pre-occupation with simply growing bigger but a determination to find ways to do much more to help more people find a decent, secure and affordable home.

Finally, and as always, our 1,700 people have been and will continue to be at the heart of our collective success. Throughout the year they have shown unstinting energy and expertise in tackling the challenges and opportunities that came their way, whether dealing face-to-face with our customers or providing the back office services that we all rely on. Together they embody our aim of bringing fresh thinking and commitment to the work we do. They provide a blend of those with the experience of several decades alongside the stimulus of those who joined us recently. Around two hundred people have been with us since before the turn of the century, but the same number have been recruited in the last year. They have all made their contribution in their own way, but our employee survey tells us that they share an exceptional level of commitment to our goal of helping people put down roots.

Neil Goulden,
Group Chairman
Keith Exford CBE,
Group Chief Executive



AT A GLANCE

Turnover	£430m	Net surplus	£124m	
Net long-term investment in social housing properties	£146m	FINANCIAL		
Operating cost per home	£3,477	Interest cover	353.4%	
Credit rating (Moody's)	Aa3 (stable)			
Resident satisfaction	80.3%	Resident satisfaction with repairs	87.9%	
OPERATIONAL			Arrears	3.71%
Governance/viability ratings	G1 and V1			
Homes managed at the end of the year	57,794	Social value of community investment activity	£70m	
New homes completed	1,436	New social homes completed	1,236	
New homes sold	511	PROPERTY DEVELOPMENT		
Turnover from property development	£130m	New homes on-site at the end of the year	1,714	

BOARD, EXECUTIVE DIRECTORS AND ADVISERS

BOARD

Neil Goulden, Group Chairman
Mike Herring, Group Vice Chairman
Helen Bailey
Nick Jones
Sue Killen
Simon Neville
Jonathan Paine
Colin Sturgeon
Keith Exford CBE (Group Chief Executive)
Mark Washer (Group Finance Director)
Kerry Kyriacou (Group Development Director)

PRINCIPAL SOLICITORS

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EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Clare Miller

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SE1 2DA

REPORT OF THE BOARD AND 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:



On 30 September 2014, Aashyana Housing Association Limited ("Aashyana") transferred its engagements to Affinity Sutton Homes, its parent. This followed a full consultation with Aashyana's tenants, and the approval of both Boards and Aashyana's shareholders.

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 the year we made great progress towards turning this into a reality, both in terms of developing a new model for working, and selecting a supplier to implement a new Microsoft systems solution.

THE EXTERNAL ENVIRONMENT

The May 2015 General Election returned a Conservative majority and at the end of that month the Queen's Speech set out the main provisions of a Housing Bill which would be passed in the new government's first term. Most notably the government set out its plans to extend the Right to Buy to all housing association tenants. Further changes to welfare spending on top of those already underway were announced in the July 8th Budget. At the same time, the Chancellor announced that the previously agreed 10-year rent settlement is to be abandoned and rents must be reduced by 1% p.a. in each of the next four years, beginning in 2016. This will produce a considerable reduction in Affinity Sutton's income over this period. Inevitably therefore, it will impact on our forward strategy, most likely resulting in a significant reduction in planned new housing supply.

The predecessor Conservative and Liberal Democrat coalition government had a marked impact on the shape and future of the housing association sector, and it is already clear that the scale of change that it brought about will continue over the next five years. The Affordable Homes Programme 2011-15, the first Programme to see new Affordable Rents applied to partfund new development, formally came to an end in March 2015. Further similar programmes were developed and rolled out during the year, both in London and nationally.

The welfare benefits landscape was dramatically changed, although Universal Credit was not rolled out in the year as had been planned. Uncertainty remains about exactly what shape that implementation will take, but it remains part of the government's plan alongside new cuts in welfare spending totalling £12 billion. These will reduce the benefit cap, reduce benefit payments to younger people and limit increases in benefits more generally.

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 5.3% year-on-year rise in house prices nationally. But the picture across the country was far from even, with prices in the North East falling 1.5% compared with an 11.6% increase in London. There are signs that the market is cooling, especially in London, and many commentators are forecasting limited house price inflation over the next year with prices in London potentially reducing. This comes at a time of continued low levels of grant leading the sector to increase development for sale activity in order to provide a cross-subsidy for much needed new social housing.

Interest rates remained low, with the base rate unchanged at 0.5% for over six years, maintaining the benign borrowing environment for the sector. This seems likely to change over the coming year, with some economists forecasting a rise to 1.25% by the end of 2016 and to 2% by the end of 2017.

So, whilst many of the risks that we have identified over the term of the last government remain, new issues, uncertainties and risks must now be factored into our forward planning. The combination of the Right to Buy, welfare reform, rent reductions and other policy changes present a challenging policy environment for the next five years. Affinity Sutton is in a strong position to weather the impact of these policies and indeed will be looking to seize the opportunities that will also emerge.

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 planned extension of Right to Buy to all housing association tenants;
- 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 responsive service delivery which meets the expectations of our changing customer base;
- The potential for a corrective movement 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 current investment model, especially the impact on our debt levels;
- Higher arrears and bad debts caused by the roll-out of the new Universal Credit system and other changes to welfare benefits and their payment terms, particularly the planned reduction in the benefit cap and the withdrawal of automatic housing benefit for 18 to 21-year-olds;
- 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;

- The potential for failure among our key suppliers, in particular, house builders, developers and maintenance contractors;
- Our ability to deliver successful maintenance services through our newly in-sourced function; 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 continuing to focus on five key drivers in 2015/16:

- 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

Last year we took the significant step of approving plans to select new enterprise-wide systems solutions and – following a rigorous tender and assessment process – in April 2015 we selected the Microsoft Dynamics system, to be implemented by Hitachi Solutions. 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 support us in fundamentally transforming the way we do business. And as well as providing our customers with more accessible and responsive services, we expect to achieve significant long-term efficiencies, which will improve our delivery of value for money.

A core part of the Programme, 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 of the Programme 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. We made significant progress in the year to redesign our processes ready for the implementation of new systems.

AFFORDABLE RENT

In common with other developing associations we have over the last few years been converting 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 (“Homes and Communities Agency”) and GLA (“Greater London Authority”) 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 are often 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.

In June 2014 the University of Cambridge released its report ‘Housing Costs, Affordability and Rent Setting’ which we had commissioned. This latest research focused on those actually being housed in Affordable and social rent properties and

looked at the relationship between local household incomes and local rents. The paper highlighted the significant complexity in defining affordability as well as where local incomes failed to reflect local rents. One key finding from the research was that while in the past many rent policies have held down rents on larger properties to assist families, those actually most likely to be helped off benefits through lower rents are smaller households in low-paid work without children. As a result of this research we will implement a new rent policy.

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. This will require some careful management and planning, particularly in light of further cuts in welfare benefit that the new government has committed to.



“ Our role is to provide accommodation at a price which will help rather than hinder. This will require some careful management and planning ”

INVESTMENT IN NEW HOMES

In 1900 William Sutton bequeathed £1.5 million to build homes for working people and building homes for those who need them remains a core objective of the Group. The availability of housing is an increasing concern of the British public and over the past two years this has been captured by the respected Economist/Ipsos Mori Issues Index. Whereas three April's ago ‘Housing’ was not even among the top ten issues, this April it is 6th, and it is consistently important across both age and social groups.

The 2011-15 Affordable Homes Programme ended in March 2015, and 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. Two further programmes were developed during the year by both the GLA and the HCA for 2015-17 and 2015-18. However, we remain concerned that there is still no clear and sustainable model for future development beyond that. But we continue to be committed to providing 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.

WELFARE REFORM

The last government fundamentally changed the welfare benefits landscape for many, including for many housing association tenants. The removal of the “spare room subsidy” and the benefit cap were rolled out in 2013/14 and in April 2013 the first pilot for Universal Credit started, albeit on a very limited basis. By March 2015 just 74,000 people were on Universal Credit compared with the Government’s original target of 1.7 million. The Government now plans that roll-out will be substantially complete by the end of 2019.

Thus far the impact on us from this first round of welfare cuts has been less than expected. However, the new government has confirmed that it intends to save a further £12 billion in welfare reform over the life of the Parliament. Whilst full details are not yet clear, the 8th of July Budget incorporated provisions for:

- a reduction in the benefit cap from £26,000 to £23,000 in London and £20,000 outside London;
- the removal of housing benefit for most 18 to 21-year-olds; and
- a freeze on working age benefits for the next four years.

This has the potential to have a much greater impact on many of our residents than those implemented in 2013 and we will seek to understand the potential impact on them and us as fuller details become clear. Nevertheless, we expect a significant adverse impact on rent collection performance and we will continue to incorporate prudent assumptions into our financial planning.

AFFINITY SUTTON REPAIRS

We know that our residents consider repairs to be one of the most important services that we provide and we have now changed the management of the repairs contractor in the London & Kent areas. Previously this repairs service had been provided by third party companies but resident feedback had shown that the service provided by these third parties had not always met the high expectations that we set ourselves.

As a result this service was brought in-house on 1 May 2015. From this date Affinity Sutton Repairs has managed and delivered repairs directly – end-to-end, from the moment a repair is logged to when the work is completed. We believe that managing the service ourselves will, over time, offer a more stable and improved repairs service. It will also allow us to set clearer priorities and ensure that these are delivered. Early progress has been positive with a notable improvement in the average time taken to complete a repair.

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 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 £124 million (2013/14: £75 million) on a turnover of £430 million (2013/14: £320 million).

Affinity Sutton has a reputation for robust financial management. This is recognised in the sector-leading Aa3 credit rating we hold with Moody’s and our V1 viability rating, which is the highest the HCA can assign. 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. This year’s surplus is significant but it is still smaller than the £146 million long-term investment in social housing we made over the last twelve months (2013/14: £177 million). Net of grant, we invested £109 million into the construction of new social housing properties and a further £37 million in capital major works to our existing homes (2013/14: investment of £138 million and £39 million respectively). Therefore, once again our entire annual surplus was applied to our core social housing activity through a programme of planned improvements, as well as the development of new social housing. Because of our surplus, and our exceptional sales performance in the year - which generated receipts of £130 million – we have been able to make all this investment yet still reduce our outstanding net debt by £34 million (2013/14: sales of £38 million and an increase in net debt of £107 million). This places us in an extremely strong position as we face the challenge of developing with limited or no grant in the future.

Income and Expenditure

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

	2014/15 £m	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m
Turnover	430	320	305	273	268
Cost of sales	(93)	(32)	(35)	(23)	(23)
Operating costs	(171)	(166)	(163)	(155)	(157)
Exceptional items	-	-	-	(4)	5
Operating surplus	166	122	107	91	93
Surplus/(deficit) on disposal of assets	5	-	2	-	(1)
Net financing costs	(47)	(47)	(49)	(45)	(43)
Surplus for the year	124	75	60	46	49

Turnover is up on last year by £110 million, with £92 million due to our increased sales activity, primarily driven by a rise in private sales as a large number of units were completed in the year. A corresponding increase can be seen in cost of sales, but due to the strong margin made on property sales – particularly in the buoyant London market – the net impact of these additional sales is a £30 million increase in our operating surplus.

As we have limited the rise in operating costs to only 3% and interest rates have remained low for a further year, most of the remaining £18 million increase in turnover – which is due to rent increases linked to inflation and the net increase in units managed - has also improved both the operating surplus and the bottom line. We also realised a £5 million surplus on disposals of existing property, partly as a result of more shared ownership residents purchasing further shares in their homes through staircasing.

Given the excellent results for the year, all of our key financial indicators are better than the prior year and all are better than the generally prudent targets we had set ourselves

Balance Sheet

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

AS AT 31 MARCH	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Tangible fixed assets	1,879	1,763	1,608	1,507	1,380
Net current assets	79	112	101	95	154
Total assets less current liabilities	1,958	1,875	1,709	1,602	1,534
Creditors due in over one year	1,277	1,312	1,214	1,164	1,120
Income and expenditure account	643	529	453	391	375
Revaluation and other reserves	6	5	5	7	7
Other	32	29	37	40	32
	1,958	1,875	1,709	1,602	1,534

Total assets less current liabilities increased by £83 million to £2.0 billion (2014: £1.9 billion) as a result of expenditure on both existing and new homes, including those for sale, in excess of sales and grant receipts. This was effectively funded by the increase in the Income and expenditure account as a result of the surplus for the year. Long-term creditors have decreased by £35 million, with a £20 million increase in loans due within the next year.

Key Group financial indicators

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

	2014/15 ACTUAL	2014/15 TARGET/BUDGET	2013/14 ACTUAL
Operating margin	38.5%	34.5%	38.2%
Operating costs per home	£3,477	£3,499	£3,439
Adjusted cash generation from operations	£66.3m	£55.7m	£47.5m
Interest cover	353.4%	278.0%	269.6%
Net margin	28.9%	21.9%	23.3%
Gearing	65.3%	68.5%	70.4%
Net debt per unit	£24,560	£26,758	£25,687
Debt:Turnover	3.0:1	3.3:1	4.1:1
Ratio of committed development spend covered by cash and available loans	2.8:1	>1.0:1	1.8:1

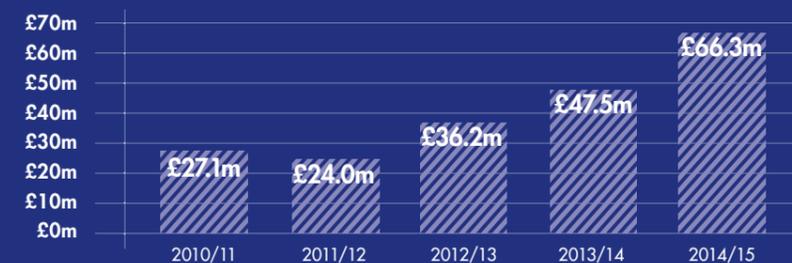
Given the excellent results for the year, all of these measures are better than the prior year and all are better than the generally prudent targets we had set ourselves.

Operating costs per home (excluding leaseholds) is a key measure of our efficiency and our target is to keep increases below inflation. This year's budget assumed inflation of 1.7% and the 1.1% actual increase was £1.1 million within our target. Therefore, adjusted for inflation, we have performed better than last year.

Adjusted cash generation is once again at a record high, reaching £66.3 million this year (2013/14: £47.5 million). This is a critically important measure since it provides an indication of our ability to meet the underlying obligations of our properties without recourse to debt finance and without reliance on property sales. Positive cash generation provides vital support for our investment in social housing, including critically the development of new homes, whilst keeping debt levels lower than they might otherwise be.

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

Adjusted cash generation from operations



As a result of our strong performance, all four measures relating to debt have improved this year, and this puts us in a good position to secure further funding in the medium term.

FRS102 – the New Accounting Standard

This is the final set of accounts that the Group will prepare under current accounting standards. In future periods the sector will use FRS102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland,' as part of which an updated 'Statement of Recommended Practice' (SORP) has been issued by the SORP-making body which includes the National Housing Federation. As a result of this, some figures will be materially different, terminology will in some cases be different and new disclosures added or existing ones amended.

Significant work is required in order to move to this new accounting framework and a substantial amount has already been carried out in preparation over the past three years. In particular, we have restructured our inflation-linked swaps to qualify for hedge accounting and so avoid causing fluctuations in our I&E. The precise overall impact of FRS102 is yet to be finalised and will only be confirmed in the 2015/16 accounts, but it is clear that we will retain our solid financial strength.



Resident satisfaction overall improved as a result of our improved repair service and internal focus on keeping customers better informed on matters of service delivery



AHP 2011-15 funding

AHP 2015-17 and 2015-18 funding

OPERATIONAL PERFORMANCE

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

	2014/15 ACTUAL	2014/15 TARGET	2013/14 ACTUAL	TARGET MET
Current rent arrears as a % of rent debit (Social Housing)	3.71%	<4.80%	4.04%	Yes
Rent loss due to voids	1.73%	<1.90%	1.79%	Yes
Average time to relet (Social Housing)	26.4 days	<26.0 days	26.8 days	No
Residents satisfied with repairs	87.9%	>85.0%	85.9%	Yes
Resident satisfaction	80.3%	>80.0%	79.7%	Yes
Properties meeting Decent Homes Standard	100.0%	100.0%	100.0%	Yes

Current rent arrears as a % of rent debit (Social Housing): This year we have seen an improvement in our collection rate. We continue to allocate additional resource to this function due to the challenges introduced by welfare benefit reform and we have successfully secured an increase in residents' benefits income by £1.8m. Starting from this strong base will be important as future welfare reform puts our tenants under increased pressure.

Rent loss due to voids: Void turnaround times improved slightly as we continue to relet our homes promptly, leading to a small improvement in annual void rent loss.

Average time to re-let (Social Housing): We achieved a slightly faster turnaround of empty properties this year and performance was close to our internal target of 26 days.

Residents satisfied with repairs: Customer satisfaction with repairs was good and better than target. This measure improved during the year and we believe the establishment in May 2015 of Affinity Sutton Repairs, our new internal repairs provider, to undertake the remainder of our responsive repairs service will consolidate this position.

Resident satisfaction: The survey of residents in March showed a satisfaction rating of 80.3% which is better than last year and meets our target. Resident satisfaction overall improved as a result of our improved repair service and internal focus on keeping customers better informed on matters of service delivery.

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

VALUE FOR MONEY AND BENCHMARKING

Our commitment to VfM

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

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.

This year saw the conclusion of the 2011-15 round of the Affordable Homes Programme ("AHP"). Over the four years we contributed 2,206 homes – 1,533 rented and 673 shared ownership – at a total cost of £411 million, with only £59 million (14%) funded through grant.

In partnership with the GLA (for homes in London) and the HCA, the Group is also participating in the 2015-17 and 2015-18 programmes. We have agreed to build 1,676 homes in total – 1,082 for rent and 594 for low cost home ownership – at an overall grant level of just 8%.

In addition, we utilised our capacity to build homes for sale in order to generate profits, thus further leveraging the limited grant available. Overall this enabled us to develop a record number of new homes in 2014/15.

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:

- Efficiency savings of £1.9 million over four years from procurement exercises across a range of services;
- A new five-year major works partnering contract will deliver annual savings of £1 million;
- The introduction of a new cleaning contract for estate communal areas, netting savings of £0.5 million over the next four years; and
- We secured an additional £1.8 million of benefit payments for our residents in the year which was provided by a team of dedicated welfare benefit advisors.

The Group continues to have one of the lowest operating costs per home compared to its peers

Benchmarking: how we compare

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

The following table shows Affinity Sutton's performance for 2014/15 (with 2013/14 comparatives) and ranks this with our peer group's 2013/14 published data (where available). National averages and HouseMark data for housing organisations with 10,000 units or greater is also shown where available and relevant:

	AFFINITY SUTTON 2014/15	AFFINITY SUTTON 2013/14	PEER GROUP WEIGHTED AVERAGE 2013/14	AFFINITY SUTTON PEER GROUP RANKING	NATIONAL AVERAGE 2013/14	
FINANCIAL VFM ANALYSIS						
Operating costs per home	£3,477	£3,439	£4,371	2	£4,020	The Group's continued focus on value for money has resulted in a small 1.1% increase in its operating cost per home, well within the budgeted annual inflation rate. The Group continues to have one of the lowest operating costs per home compared to its peers. At £3,477 per home we are a top quartile performer and this is considerably lower than both the peer group average of £4,371 and the national average of £4,020.
Management costs per home	£662	£620	£969	5	£990	Although we have seen a 6.8% annual increase, we remain a top quartile performer with a unit management cost at £662.
Service charges costs per home	£355	£428	£575	2	£517	We have seen lower utility costs this year and delivered savings from insourcing and re-procuring a number of estate service contracts, leading to a 17.1% reduction in service charge costs per home. We are a top quartile performer with service costs per home at £355, significantly below the peer group average of £577 and the national average of £517.
Maintenance, cyclical and major repairs expenditure per home	£2,133	£2,176	£1,681	16	£1,928	Our unit cost of £2,133 has reduced by 2% from last year. But our investment in our homes remains higher than the peer group and national averages of £1,681 and £1,928 respectively. Steady investment in our housing assets remains a priority for the business.
Rent void losses per home (general needs and Affordable properties, excluding garages)	£58	£61	£39	15	n/a	At £58 per home, we have seen a 4.9% reduction on last year. However, the Group is a bottom quartile performer on general needs void losses in a peer group range from £38 to £148. We continue to strive to improve our void performance, understand refusal rates better and we are working hard to reduce the time it takes to get properties back into management.
Social housing lettings operating margin	47.1%	45.1%	33.0%	1	26.5%	At 47.1% we are now top of our peer group - having been a top quartile performer for a number of years - which yet again demonstrates our commitment to deliver operational and financial efficiencies. This continued focus on efficiency and surplus generation allows us to provide resources for investment in our social activities.
Chief Executive pay per home	£5.20	£5.10	£5.00	9	n/a	Our performance at £5.20 is marginally up on last year and just above the weighted peer group average of £5.00 (but ninth overall).
Ratio of Chief Executive emoluments to average staff emoluments (excluding employer's pension contribution)	8.7:1	8.7:1	8.4:1	15	n/a	At 8.7:1, the ratio of Chief Executive pay as compared to average staff pay is in line with last year. This year's figure is based on average staff pay at Affinity Sutton of £34,707 per annum.
Board and Executive pay per home	£27.30	£25.90	£23.30	10	n/a	As for Chief Executive pay, Board pay per home is mid-ranked. The Group's Remuneration Committee agrees Executive pay and for Non Executives it makes recommendations to the Board.
HOUSING MANAGEMENT VFM ANALYSIS					HOUSEMARK >10,000 UNITS 2013/14	
Current rent arrears - social housing properties	3.71%	4.04%	4.40%	10/19	3.42%	Our arrears performance at 3.71% is lower than last year's 4.04%, and reflects the hard work by the arrears team. Although a number of residents are impacted by the welfare reform changes, arrears overall remain better than our internal target and better than the peer group average of 4.40%. However, we remain behind the 3.42% average for housing associations with more than 10,000 units.
Relet times - social housing properties	26.4 days	26.8 days	28.6 days	5/11	31.2 days	With a 26.4 day average turnaround, the Group's performance has seen a small improvement on last year's 26.8 days and we are a just above average performer compared to our peers (28.6 days).
Residents' satisfaction overall ²	80.3%	79.7%	80.1%	10/19	n/a	The year-end satisfaction rating of 80.3% is based on an independent survey by the Leadership Factor. It exceeds our internal target of 80.0% and is marginally better than the peer group average of 80.1%.
Residents' satisfaction with repairs ²	87.9%	85.9%	82.8%	5/13	n/a	Our residents' satisfaction with repairs at 87.9% has increased 2% on last year and remains above our 85.0% internal target. It compares well with the peer group average of 82.8%.

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.



Our £41 million surplus from sales has been fully reinvested in social housing



PROPERTY DEVELOPMENT AND SALES

During the year we completed 1,436 new homes, including 872 for rent, 364 for low cost home ownership and 200 for sale on the open market (including our share of homes constructed through joint ventures). In addition, we started construction on nearly 600 new homes, of which 408 were for rent and 151 for shared ownership, as well as 22 units for sale on the open market.

Our sales performance in 2014/15 has been exceptional - the strongest in the Group's history - with 470 sales completed directly by the Group (351 shared ownership and 119 sold on the open market), leading to revenues of £106 million. Sales performance continues to be strong for both shared ownership and private sales, with homes selling in an average of 4 weeks and receipts continuing to exceed independent valuations based on the RICS "Red Book". In particular, all 60 outright sale units at our Lexington development at Finchley Rd, Hampstead, sold off-plan.

Additionally, our joint ventures sold 82 units on the open market, and our share of the revenue was £24 million. We also completed £11 million of shared ownership staircasings and £4 million of Right to Buy or Right to Acquire disposals. Furthermore, as part of a rationalisation of our stock we disposed of our single block of student accommodation for £2.57 million.

The total surplus from all of this sales activity was £41 million, a surplus which has been fully reinvested in new and existing social housing.

TREASURY MANAGEMENT

As at 31 March, the Group had £1.65 billion of committed debt funding, with drawn funding totalling £1.30 billion, slightly down on £1.32 billion in 2014. The Group seeks to maintain diversification in its funding sources, with 33% of committed funding coming from the capital markets and 67% bi-lateral loans from six banks and building societies.

Bank vs Bond debt



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

Debt repayment profile



As at 31 March, the Group maintained £344 million of committed undrawn facilities available for immediate drawing and £90 million of cash in hand, representing total available liquidity of £434 million, in line with the Group's prudent policies on liquidity management. These resources are more than sufficient to meet all of the Group's contractual commitments to developers and housebuilders.

Liquidity



Total committed funding



The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest, which is consistent with the interest profile of the Group's cash investments. The Group targets a flexible policy of hedging 65% to 85% of its net debt with predominantly fixed rate instruments, with flexibility to depart from these parameters if circumstances make this more appropriate. At the year end, this policy resulted in a portfolio that was 79% fixed-rate and 21% floating-rate. The Group does not have any non-Sterling interest rate or exchange rate exposures.

Hedging activity %



The Group maintains its desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans and bonds) and stand alone 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 who bring a broad range of skills, experience and knowledge to their roles from fields ranging from legal services, finance and property, to the governance and management of housing associations⁴. 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 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, and their responsibilities include:

- Audit: advises the Group and subsidiary Boards on whether effective controls and an adequate risk management framework are in place across the business;
- Remuneration: agrees Executive and staff pay levels, changes to employment terms and conditions, and overseeing the annual appraisals of the Executive Directors;
- Nominations: recommends to the Group Board the appointment of the Chief Executive, succession planning for Executive Directors and the recruitment and appraisal of Non Executive Directors;
- Treasury: with delegated authority from the Group and Affinity Sutton Homes Boards to arrange or approve financing (including the related charging of the Group's assets); and
- Project Approval: ensures that proposed major capital investment is rigorously examined prior to approval with delegated authority within certain limits, and to subsequently report on progress to the Group and Affinity Sutton Homes Boards.

As part of being regulated by the HCA we are given a rating for our governance, as assessed against their Governance and Financial Viability standard. Our G1 rating – "the provider meets the requirements", the strongest rating on the scale – was last reaffirmed in May 2014.

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. During the year a review of senior Executive Directors' pay was undertaken by Smith & Williamson which resulted in the Remuneration Committee making some adjustments. 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 2014 pay rates increased by 2.3% for all Executive 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 22.

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(S)	2014/15					2013/14
		REFERENCE SALARY £	SALARY £	FEE £	OTHER BENEFITS £	TOTAL £	TOTAL £
NON EXECUTIVE DIRECTORS							
Neil Goulden ^a	Group Chairman; Chair of Nominations Committee	-	-	25,000	-	25,000	-
Mike Herring	Group Vice Chairman	-	-	15,000	-	15,000	14,933
Helen Bailey ^b	Chair of Remuneration Committee	-	-	-	-	-	-
Nick Jones	Chair of Affinity Sutton Community Foundation	-	-	12,500	-	12,500	12,292
Sue Killen ^c	Chair of Affinity Sutton Homes	-	-	11,333	-	11,333	9,000
Simon Neville ^d	Member of Audit and Treasury Committees	-	-	10,000	-	10,000	9,571
Jonathan Paine	Chair of Audit Committee	-	-	12,559	-	12,559	12,188
Colin Sturgeon	Chair of Treasury Committee	-	-	12,500	-	12,500	12,292
				98,892	-	98,892	70,276
EXECUTIVE DIRECTORS							
Keith Exford CBE	Group Chief Executive	252,784	252,784	-	48,820	301,604	291,490
Mark Washer	Group Finance Director; Chair of Project Approval Committee	169,376	148,542	-	37,799	186,341	186,910
Kerry Kyriacou	Group Development Director	166,556	157,875	-	42,230	200,105	194,516
Jonathan Cawthra	Group Resources Director	128,306	112,524	-	31,222	143,746	133,543
Neil McCall	Group Operations Director	169,380	169,380	-	37,282	206,662	181,126
Clare Miller	Group Director of Governance and Compliance	131,554	117,083	-	30,563	147,646	144,618
Michelle Reynolds	Group Commercial Director	125,836	110,358	-	27,681	138,039	122,824
				1,068,546	-	255,597	1,324,143
							1,255,027

The Group operates a voluntary salary sacrifice scheme in order to reduce National Insurance costs on pension contributions, as approved by HMRC, and the reference salaries shown above are prior to sacrifice.

a Remuneration not drawn in 2013/14.

b Remuneration not drawn.

c Remuneration paid to employer, St John Ambulance.

d Appointed to Group Board 1 May 2013. Prior to this, remuneration relates to previous role as member of Treasury Committee.

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 - but not absolute - assurance against material misstatement or loss.

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 process, which enables management 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. Risk management is considered at each Audit Committee meeting, through reviews of individual risk areas and/or risk maps, as well as considered regularly by the Board;
- 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 the 2014/15 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 2015 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 2015 and up to the date of approval of the financial statements.

GOING CONCERN

After reviewing the Group's budget for 2015/16 and those of its subsidiaries, the 30-year business plan, 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 they ought to have taken as a Board member to make themselves 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
9 July 2015



The Group is committed to the highest standards of business ethics and conduct



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.

Co-operative and Community Benefit 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 income and expenditure of the Group and the Association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 books of account 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

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 2015 set out on pages 32 to 73. 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 30, 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 2015 and of the surplus of the Group and the result of the Association for the year then ended;
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- Have been properly prepared in accordance with 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 Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- The Association has not kept proper books of account; or
- The Association has not maintained a satisfactory system of control over transactions; or
- The financial statements are not in agreement with the Association's 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
15 Canada Square, London, E14 5GL

13 July 2015

GROUP AND ASSOCIATION INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

Group	Notes	2015		2014	
		Group excluding Interests in Joint Ventures £'000	Interests in Joint Ventures £'000	Group £'000	Group £'000
Turnover	2(a)	405,911	24,214	430,125	320,086
Cost of sales	2(a)	(74,912)	(18,493)	(93,405)	(31,720)
Operating costs	2(a)	(170,949)	–	(170,949)	(166,188)
Operating surplus	2(a)	160,050	5,721	165,771	122,178
Surplus on disposal of properties	2(a)	5,418	–	5,418	154
(Deficit)/surplus on disposal of other fixed assets	2(a)	(228)	–	(228)	26
Interest receivable and similar income		1,619	–	1,619	1,223
Interest payable and similar charges	5	(49,426)	(255)	(49,681)	(48,738)
Other finance income	25	1,491	–	1,491	192
Surplus on ordinary activities before taxation	6	118,924	5,466	124,390	75,035
Tax charge on surplus on ordinary activities	7	(42)	(136)	(178)	(385)
Surplus for the year	20	118,882	5,330	124,212	74,650

All operations are continuing.

Association

	Notes	2015 £'000	2014 £'000
Turnover	2(a)	64,897	64,571
Operating costs		(64,673)	(64,412)
Operating surplus		224	159
Deficit on disposal of other fixed assets		–	(50)
Interest receivable and similar income		6	6
Interest payable and similar charges	5	(230)	(102)
Surplus on ordinary activities before taxation	6	–	13
Tax charge on surplus on ordinary activities	7	–	(13)
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 2015

	Notes	2015 £'000	2014 £'000
Surplus for the year		124,212	74,650
Actuarial (losses)/gains on pension schemes	25	(9,290)	476
Unrealised surplus on revaluation of properties	9	498	169
Total recognised surplus for the year		115,420	75,295

GROUP NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Reported surplus on ordinary activities before taxation		124,390	75,035
Realisation of property revaluation surpluses of previous years	20	5	41
Historical cost surplus on ordinary activities before taxation		124,395	75,076
Tax charge on historical cost surplus on ordinary activities	7	(178)	(385)
Historical cost surplus on ordinary activities after taxation		124,217	74,691

GROUP AND ASSOCIATION BALANCE SHEETS AS AT 31 MARCH 2015

	Notes	Group		Association	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Tangible fixed assets					
Housing properties	8	1,784,674	1,673,621	–	–
Non-housing fixed assets	9	40,946	39,491	10,096	7,148
Fixed asset investments	10	26,108	26,949	350	350
Investment in joint ventures					
– share of gross assets	11	128,948	111,791	–	–
– share of gross liabilities	11	(101,791)	(89,223)	–	–
Total tangible fixed assets		1,878,885	1,762,629	10,446	7,498
Current assets					
Stock	12	50,519	81,129	–	–
Debtors	13	25,618	20,004	4,013	4,575
Debtors falling due after more than one year	13	6,430	10,913	100	–
Current investments	14	2,263	1,513	–	–
Cash at bank and in hand		89,968	73,151	180	649
		174,798	186,710	4,293	5,224
Current liabilities					
Creditors: amounts falling due within one year	15	(95,306)	(74,651)	(5,953)	(5,836)
Net current assets/(liabilities)		79,492	112,059	(1,660)	(612)
Total assets less current liabilities					
		1,958,377	1,874,688	8,786	6,886
Creditors: amounts falling due after more than one year	16	1,276,645	1,312,108	9,400	7,500
Provisions for liabilities and charges					
Pension liabilities	18	32,516	28,794	–	–
Other provisions	18	70	60	–	–
Capital and reserves					
Share capital	19	–	–	–	–
Revaluation reserve	20	5,921	5,428	–	–
Income and expenditure account	20	643,225	528,298	(614)	(614)
		1,958,377	1,874,688	8,786	6,886

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

9 July 2015

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015		2014	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	24(i)		226,258		115,494
Returns on investments and servicing of finance					
Interest received and similar income		1,619		1,223	
Interest paid and similar charges		(57,939)		(57,237)	
Set-up costs paid		(240)		(463)	
Net cash outflow			(56,560)		(56,477)
Taxation					
Corporation tax paid		(79)		(35)	
Net cash outflow			(79)		(35)
Capital expenditure and financial investments					
Expenditure on housing properties		(173,375)		(194,838)	
Grants received for housing properties		26,869		19,563	
Expenditure on other fixed assets		(5,590)		(5,146)	
Increase/(decrease) in fixed asset investments		746		(555)	
Sale of housing properties		16,272		11,977	
Sale of other fixed assets		383		1,926	
Net cash outflow			(134,695)		(167,073)
Net cash inflow/(outflow) before management of liquid resources and financing					
			34,924		(108,091)
Management of liquid resources					
Increase in amounts held on deposit		(750)		(1,513)	
Net cash outflow			(750)		(1,513)
Financing					
Housing loans (repaid)/drawn		(17,009)		95,817	
Repayment of finance leases		(348)		(528)	
Net cash (outflow)/inflow			(17,357)		95,289
Increase/(decrease) in net cash	24(ii)		16,817		(14,315)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 (through Downland Regeneration Limited, the LLP partner) 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 2015 are signed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all members of the Group as at 31 March 2015, 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 2015 (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 2015 (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

Affinity Sutton Community Foundation, Affinity Sutton Group Limited 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 2015 (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

	2015			2014		
	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)	283,094	-	(149,850)	133,244	264,716	119,258
Development for sale – social						
Shared ownership first tranche sales	40,055	(26,999)	(396)	12,660	15,847	2,689
Impairment write back	-	400	-	400	-	87
Total	40,055	(26,599)	(396)	13,060	15,847	2,776
Other social housing activities						
Charges for support services	3,351	-	(3,255)	96	3,350	36
Supporting people contract income	529	-	(514)	15	834	14
Development costs not capitalised	597	-	(2,669)	(2,072)	409	(1,912)
Community Investment	202	-	(5,186)	(4,984)	242	(5,236)
Other	6,360	-	(5,684)	676	5,974	787
Total	11,039	-	(17,308)	(6,269)	10,809	(6,311)
Total social housing activities	334,188	(26,599)	(167,554)	140,035	291,372	115,723
Non-social housing activities						
Development for sale – non-social						
Outright sales on the open market – direct	65,617	(48,313)	(491)	16,813	11,209	2,643
Outright sales on the open market – by joint ventures	24,214	(18,493)	-	5,721	10,768	122
Total	89,831	(66,806)	(491)	22,534	21,977	2,765
Other non-social housing activities						
Market rent and student lettings	1,231	-	(795)	436	1,413	477
Commercial tenancies	2,289	-	(508)	1,781	2,621	2,070
Other	2,586	-	(1,601)	985	2,703	1,143
Total	6,106	-	(2,904)	3,202	6,737	3,690
Total social and non-social housing	430,125	(93,405)	(170,949)	165,771	320,086	122,178
Surplus on disposal of properties	19,710	(12,506)	(1,786)	5,418	13,273	154
(Deficit)/surplus on disposal of other fixed assets	432	(640)	(20)	(228)	2,010	26
Interest receivable and similar income				1,619		1,223
Interest payable and similar charges				(49,681)		(48,738)
Other finance income				1,491		192
Surplus on ordinary activities before taxation				124,390		75,035

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 2015 (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 2015 £'000	Total 2014 £'000
Income						
Rent receivable net of identifiable service charges	232,325	18,777	7,831	4,484	263,417	245,593
Garage rents	876	–	–	–	876	887
Service charge income	10,985	4,313	1,493	1,931	18,722	18,182
Other revenue grants	–	79	–	–	79	54
Turnover from social housing lettings	244,186	23,169	9,324	6,415	283,094	264,716
Expenditure						
Management	(26,510)	(4,199)	(214)	(1,642)	(32,565)	(29,952)
Service charge costs	(10,232)	(4,018)	(1,391)	(1,799)	(17,440)	(20,669)
Routine maintenance	(33,951)	(2,583)	–	(106)	(36,640)	(35,424)
Planned maintenance	(15,214)	(560)	–	(10)	(15,784)	(15,847)
Major repairs expenditure	(13,670)	(1,165)	–	(155)	(14,990)	(14,983)
Bad debts	(3,154)	(167)	(13)	(27)	(3,361)	(3,478)
Depreciation of housing properties	(25,664)	(2,541)	–	(324)	(28,529)	(26,163)
Impairment of housing properties: write back	–	–	–	–	–	1,780
Other costs	(499)	(42)	–	–	(541)	(722)
Operating costs on social housing lettings	(128,894)	(15,275)	(1,618)	(4,063)	(149,850)	(145,458)
Operating surplus on social housing lettings	115,292	7,894	7,706	2,352	133,244	119,258
Void losses	3,137	1,349	147	249	4,882	4,711

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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:

	2015 £'000	2014 £'000
Non Executive Directors	99	70
Executive Directors	1,324	1,255
Pension contributions, or pay in lieu thereof, in respect of services as directors	153	146
	1,576	1,471
	2015 £	2014 £
Highest paid director	301,604	291,490
Pension contributions, or pay in lieu thereof, of the highest paid director	13,470	13,944
	2015 £'000	2014 £'000
Expenses reimbursed to directors not chargeable to United Kingdom income tax	12	18

In line with all other employees, the Executive Directors received a 2.3% cost of living increase on 1 April 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

4. Employee information

The average monthly number of persons, including Executive Directors, employed during the year was:

	Group		Association	
	2015 Number	2014 Number	2015 Number	2014 Number
Full time equivalents ("FTEs")	1,486	1,494	1,143	1,133

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.

Staff Costs:	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Wages and salaries	51,575	49,774	40,601	38,915
Social security costs	4,657	4,545	3,596	3,503
Pension costs	3,768	3,638	3,432	3,415
	60,000	57,957	47,629	45,833

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	
	2015 Number	2014 Number
£300,000 to £309,999	1	–
£290,000 to £299,999	–	1
£200,000 to £209,999	2	–
£190,000 to £199,999	–	1
£180,000 to £189,999	1	2
£140,000 to £149,999	2	1
£130,000 to £139,999	1	1
£120,000 to £129,999	1	2
£110,000 to £119,999	2	2
£100,000 to £109,999	5	3
£90,000 to £99,999	5	5
£80,000 to £89,999	7	5
£70,000 to £79,999	11	11
£60,000 to £69,999	30	29
Total	68	63

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

5. Interest payable and similar charges

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Interest on loans and overdrafts	56,010	55,518	2	–
Interest on intercompany loan	–	–	145	79
Interest payable on finance leases	267	298	–	–
Other charges	1,867	1,615	83	23
	58,144	57,431	230	102
Less: interest capitalised	(8,463)	(8,693)	–	–
	49,681	48,738	230	102

Interest is capitalised on properties under construction using the Group's weighted average interest rate for borrowings of 4.18% (2014: 4.20%).

6. Surplus on ordinary activities before taxation

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation	32,807	30,912	1,939	1,568
Reversal of impairment of housing properties	(400)	(1,867)	–	–
Operating lease rentals – land and buildings	1,973	2,031	1,511	1,581
Operating lease rentals – motor vehicles	1,267	1,100	286	220
Charitable donations	72	47	72	47
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Auditors remuneration (excluding VAT)				
– in capacity as auditors	146	142	23	23
– other services	53	81	35	75
	199	223	58	98

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

7. Taxation

Analysis of charge in period

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current tax:				
Current tax on income for the period	110	62	-	-
Adjustment in respect of prior periods	66	17	-	13
	176	79	-	13
Deferred tax:				
Reversal of timing differences	2	306	-	-
	178	385	-	13

Factors affecting the tax charge for the period:

The current tax charge for the Group for the period is less than 21% (2014: less than 23%), the main rate of corporation tax in the UK. The current tax charge for the Association for the period is equal to 21% (2014: greater than 23%), the main rate of corporation tax in the UK. The differences are explained below:

Current tax reconciliation

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus on ordinary activities before taxation	124,390	75,035	-	13
Current tax at 21% (2014: 23%)	26,122	17,258	-	3
Effects of:				
Adjustment in respect of prior periods	66	17	-	13
Charitable surpluses not taxed	(25,939)	(17,076)	-	-
Expenses not deductible for tax purposes	25	33	18	24
Capital allowances for the period in excess depreciation	(28)	(40)	(32)	(32)
Utilisation of tax losses	-	(16)	-	-
Unrealised tax losses arising in period	14	5	14	5
Entities charged at the small profits rate of 20%	(105)	(3)	-	-
Entities not subject to UK corporation tax	21	(99)	-	-
Total current tax charge (see above)	176	79	-	13

Factors that may affect future tax charges:

The main rate of UK corporation tax (effective from 1 April 2015) that was substantively enacted at the balance sheet date was 20%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

8. Housing properties – Group

	Housing Properties £'000	Shared Ownership Properties £'000	Housing Properties in the course of construction £'000	Shared Ownership Properties in the course of construction £'000	Commercial Properties £'000	Total £'000
Cost						
At 1 April 2014	2,491,026	189,573	150,818	50,227	3,591	2,885,235
Additions	37,445	100	98,343	41,378	1,431	178,697
Properties completed	140,226	50,173	(140,226)	(50,173)	-	-
Transfer (to)/from current assets	-	(362)	-	-	1,516	1,154
Change of tenure	(95)	(178)	-	-	273	-
Disposals (including replaced components)	(10,654)	(6,758)	-	-	-	(17,412)
At 31 March 2015	2,657,948	232,548	108,935	41,432	6,811	3,047,674

Social Housing Grant

At 1 April 2014	(841,265)	(40,417)	(22,645)	(1,534)	-	(905,861)
Received in year	-	-	(24,903)	(4,574)	-	(29,477)
Properties completed	(33,566)	(3,632)	33,566	3,632	-	-
Eliminated on disposals	569	1,856	-	-	-	2,425
At 31 March 2015	(874,262)	(42,193)	(13,982)	(2,476)	-	(932,913)

Other grants

At 1 April 2014	(58,835)	(2,632)	(2,542)	-	-	(64,009)
Received in year	(158)	-	(544)	(980)	-	(1,682)
Properties completed	(610)	-	610	-	-	-
Eliminated on disposals	18	120	-	-	-	138
At 31 March 2015	(59,585)	(2,512)	(2,476)	(980)	-	(65,553)

Depreciation and impairment

At 1 April 2014	(241,672)	-	-	-	(72)	(241,744)
Charge for the year	(28,642)	-	-	-	(48)	(28,690)
Transfer from current assets	-	-	-	-	(658)	(658)
Change of tenure	6	-	-	-	(6)	-
Eliminated on disposals	6,558	-	-	-	-	6,558
At 31 March 2015	(263,750)	-	-	-	(784)	(264,534)

Net book value

At 31 March 2015	1,460,351	187,843	92,477	37,976	6,027	1,784,674
Net book value At 31 March 2014	1,349,254	146,524	125,631	48,693	3,519	1,673,621

		2015	2014
		£'000	£'000

Housing Properties comprise

Freeholds	1,730,848	1,623,201
Long leaseholds	53,826	50,420
	1,784,674	1,673,621

Development and major works additions and improvements to housing properties during the year include capitalised interest of £8.5 million (2014: £8.7 million) and capitalised administration costs of £3.8 million (2014: £3.6 million).

Total expenditure in 2015 on works to existing properties was £54.0 million (2014: £55.4 million) of which £37.6 million (2014: £40.4 million) has been capitalised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2014	23,576	928	24,978	7,540	57,022
Additions	463	45	5,082	–	5,590
Disposals	(366)	(275)	(119)	(38)	(798)
Revaluation	–	–	–	498	498
At 31 March 2015	23,673	698	29,941	8,000	62,312
Depreciation					
At 1 April 2014	(6,012)	(197)	(11,322)	–	(17,531)
Charge for the year	(537)	(68)	(3,512)	–	(4,117)
Eliminated on disposals	101	98	83	–	282
At 31 March 2015	(6,448)	(167)	(14,751)	–	(21,366)
Net book value					
At 31 March 2015	17,225	531	15,190	8,000	40,946
Net book value At 31 March 2014	17,564	731	13,656	7,540	39,491
				2015	2014
				£'000	£'000
Historical cost of investment properties				2,143	2,176
Gross cost and historical cost net book value					

The investment properties were valued as at 31 March 2015 by Jones Lang LaSalle Ltd, Chartered Surveyors, on the basis of Market Value, as defined in "RICS Valuation – Professional Standards" (January 2014).

The main assumptions of the valuation are that estate manager flats will be sold in 13 years on average, and a capitalised ground rental income at a yield of 6.0% in accordance with evidence of transactions in comparable property. Other aspects of the valuation include commission earned for insuring the total portfolio through a broker using an investment yield of 20%. This assumption is in accordance with Leasehold Valuation Tribunal decisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

9. Non-housing fixed assets (continued)

Association	Office Equipment & Motor Vehicles £'000
Cost	
At 1 April 2014	11,453
Additions	4,887
At 31 March 2015	16,340
Depreciation	
At 1 April 2014	(4,305)
Charge for the year	(1,939)
At 31 March 2015	(6,244)
Net book value	
At 31 March 2015	10,096
Net book value At 31 March 2014	7,148

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

10. Fixed asset investments

Group	2015	2014
	£'000	£'000
72 Farm Lane Developments LLP	48	48
261 City Road Developments LLP	21	21
Linden/Downland Graylingwell LLP	23,531	24,277
Equity Loans	2,508	2,603
	26,108	26,949

72 Farm Lane Developments LLP & 261 City Road Developments LLP

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

	2015	2014
	£'000	£'000
Linden/Downland Graylingwell LLP		
At the beginning of the year	24,277	24,277
Net repayments by the LLP	(746)	–
At the end of the year	23,531	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. (Amounts above are shown net of impairment.)

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

	2015	2014
	£'000	£'000
Igloo Insurance PCC Limited (Cell ASG2)	350	350

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 joint ventures comprise the following:

	Farm Lane	City Road	2015	Ramsden	Wilmington	Total
	£'000	£'000	Graylingwell	£'000	£'000	£'000
Turnover	4,495	15,666	4,053	–	–	24,214
Cost of sales	(2,859)	(10,624)	(5,001)	(9)	–	(18,493)
Operating surplus/(deficit)	1,636	5,042	(948)	(9)	–	5,721
Interest payable	–	–	(255)	–	–	(255)
Surplus/(deficit) before tax	1,636	5,042	(1,203)	(9)	–	5,466
Tax charge	–	(136)	–	–	–	(136)
Surplus/(deficit) for the year	1,636	4,906	(1,203)	(9)	–	5,330
Share of:						
Current assets	38,967	30,789	58,915	92	185	128,948
Liabilities due within one year	(23,871)	(13,433)	(20,160)	(92)	(90)	(57,646)
Liabilities due after one year	–	–	(44,145)	–	–	(44,145)
Net assets/(liabilities)	15,096	17,356	(5,390)	–	95	27,157

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

11. Investments in Joint Ventures – Group (continued)

	Farm Lane £'000	City Road £'000	2014 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

In accordance with FRS9 'Associates and Joint Ventures', 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. Likewise, the amounts above are also adjusted as necessary to be in line with Group accounting policies: in the case of Farm Lane and City Road, sales are only recognised on legal completion; and in the case of Graylingwell, Ramsden and Wilmington, eligible interest costs are capitalised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

12. Stock – Group

	Properties in the course of construction		Completed properties		Total £'000
	Social £'000	Non-social £'000	Social £'000	Non-social £'000	
At 1 April 2014	19,856	58,886	2,259	128	81,129
Additions	24,761	20,037	–	–	44,798
Impairment: write-back	400	–	–	–	400
Properties completed	(27,228)	(54,156)	27,228	54,156	–
Transfer (to)/from housing properties	–	(858)	362	–	(496)
Properties sold	–	–	(26,999)	(48,313)	(75,312)
At 31 March 2015	17,789	23,909	2,850	5,971	50,519

13. Debtors

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year				
Rents and service charges	19,263	18,274	–	–
Provision for bad debts	(9,504)	(8,384)	–	–
	9,759	9,890	–	–
Social Housing Grant receivable	6,102	2,327	–	–
Amounts due from Group undertakings	–	–	1,922	2,355
Deferred tax assets	19	21	–	–
Other debtors and prepayments	9,738	7,766	2,091	2,220
	25,618	20,004	4,013	4,575
Amounts falling due after one year				
Other debtors and prepayments	6,430	10,913	100	–

Included in other debtors and prepayments due after one year is £6,330,000 lent to 261 City Road Developments LLP (2014: £10,913,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

14. Current Investments – Group

	2015 £'000	2014 £'000
Cash held on deposit	2,263	1,513

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

As at the year-end, £513,000 is held in an unbreakable Barclays fixed deposit account which matures in December 2015. £900,000 is invested with Credit Suisse, and £850,000 with Lloyds, in 12-month Certificates of Deposit; these mature in July and December 2015 respectively but it is expected that they can be liquidated at short notice, if necessary.

15. Creditors: amounts falling due within one year

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Obligations under finance leases	501	472	–	–
Trade creditors	7,476	5,696	561	220
Recycled Capital Grant Fund	557	110	–	–
Disposal Proceeds Fund	211	–	–	–
Amounts due to Group undertakings	–	–	303	440
Other taxation and social security	66	23	–	–
Accruals and deferred income	45,557	49,575	3,950	4,225
Other creditors	14,291	12,135	1,139	951
Corporation tax	27	66	–	–
Housing loans (see note 16)	26,620	6,574	–	–
	95,306	74,651	5,953	5,836

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

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

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Housing loans	775,985	813,040	–	–
Loan set-up costs	(3,192)	(3,311)	–	–
Net housing loans	772,793	809,729	–	–
Bond	497,395	497,345	–	–
Bond set-up costs	(2,887)	(2,940)	–	–
Net bond	494,508	494,405	–	–
Amounts due to Group undertakings	–	–	9,400	7,500
Obligations under finance leases	3,029	3,406	–	–
Recycled Capital Grant Fund	5,123	3,522	–	–
Disposal Proceeds Fund	1,192	1,038	–	–
Other creditors	–	8	–	–
	1,276,645	1,312,108	9,400	7,500

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

	2015 £'000	2014 £'000
Housing loans are repayable, otherwise than by instalments as follows:		
Between one and two years	31,326	30,489
Between two and five years	95,296	107,937
In five years or more	649,363	674,614
	775,985	813,040

The final instalments by tranche of borrowing fall to be repaid between 2017 and 2042 (2014: between 2017 and 2042).

Loans bear fixed rates of interest ranging from 5.10% to 11.64% (2014: 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:

	2015 £'000	2014 £'000
Fixed-rate	446,962	456,325
Index-linked	2,095	2,198
Floating-rate	353,548	361,091
	802,605	819,614

The Group also has two bonds of £250 million and £247.4 million (nominal value £250 million, issued below par). As interest is payable at 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 £1.55 billion (2014: £1.46 billion).

At 31 March 2015, the Affinity Sutton Group has £1.65 billion of debt facilities available (2014: £1.65 billion), of which £344 million is undrawn (2014: £334 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

17. Creditors: analysis of movement on funds – Group

	2015 £'000	2014 £'000
Obligations under finance leases		
Due less than 1 year	501	472
Due between 1 and 2 years	553	517
Due between 2 and 5 years	2,013	1,890
Due in 5 years or more	463	999
	3,530	3,878

	2015 £'000	2014 £'000
Recycled Capital Grant Fund		
At the beginning of the year	3,632	1,796
Additions to fund due to disposals	2,280	3,092
Interest accrued	23	11
Utilised against new properties	(255)	(1,267)
At the end of the year	5,680	3,632

Amount due for repayment to the HCA and/or GLA

	-	-
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	2015 £'000	2014 £'000
Disposal Proceeds Fund		
At the beginning of the year	1,038	209
Additions to fund due to disposals	360	827
Interest accrued	5	2
At the end of the year	1,403	1,038

Amount due for repayment to the HCA and/or GLA

	-	-
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

18. Provisions for liabilities and charges – Group

	2015 £'000	2014 £'000
Pension (assets)/liabilities		
Downland Housing Group Pension & Assurance Scheme	2,746	1,995
Hertfordshire County Council Pension Fund	(354)	549
London Borough of Bromley Pension Fund	2,595	2,729
London Pensions Fund Authority Pension Fund	7,529	4,921
William Sutton Housing Association Final Salary Scheme	20,000	18,600
	32,516	28,794

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

	2015 £'000	2014 £'000
Other provisions		
Dilapidations	60	60
Other	10	-
	70	60

19. Share capital

	2015 £	2014 £
Shares of £1 allotted, issued and fully paid		
At beginning and 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 2015 (continued)

20. Reserves

Group	Revaluation reserve £'000	Income and expenditure account £'000	Total £'000
At 1 April 2014	5,428	528,298	533,726
Surplus for the year – Group	–	118,882	118,882
Surplus for the year – interests in joint ventures	–	5,330	5,330
Investment property revaluation at 31 March 2015	498	–	498
Transfer on disposal of investment properties	(5)	5	–
Actuarial losses on pension schemes	–	(9,290)	(9,290)
At 31 March 2015	5,921	643,225	649,146

Association

	Income and expenditure account £'000
At 1 April 2014	(614)
Surplus for the year	–
At 31 March 2015	(614)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

21. Capital commitments

Group	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided for in the financial statements	157,159	229,727
Capital expenditure authorised by the Board not contracted for	147,277	134,230

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 (£15,000,000; 2014: £26,898,000), 72 Farm Lane Developments LLP (£3,000,000; 2014: £13,392,000), Ramsden Regeneration LLP (£nil; 2014: £151,000) and Wilmington Regeneration LLP (£nil; 2014: £410,000).

Capital commitments authorised by the Board but not contracted for includes £24,500,000 (2014: £47,078,000) 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.

At the year-end the Group had £90 million of cash and £344 million of undrawn funding.

Association

The Association had no capital commitments at year-end (2014: £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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Expiry date:				
Within one year	187	60	68	269
Between two and five years	1,073	1,194	838	749
After five years	332	370	–	–
	1,592	1,624	906	1,018

Association	Land and buildings		Motor vehicles	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Expiry date:				
Within one year	130	42	34	52
Between two and five years	1,067	1,109	185	142
After five years	–	46	–	–
	1,197	1,197	219	194

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

23. Accommodation in management – Group

	General Needs		Shared				Market Rent	Total	
	Housing	Affordable	Supported	Ownership	Leasehold	Keyworker			
Number of units									
At 1 April 2014	37,886	3,236	4,182	2,320	8,527	524	55	126	56,856
Completed construction	151	721	–	364	–	–	–	–	1,236
Net conversion to Affordable	(495)	495	–	–	–	–	–	–	–
Demolitions	(28)	–	(87)	–	–	–	–	–	(115)
Other movements	(62)	(15)	(74)	(84)	102	1	(55)	4	(183)
At 31 March 2015	37,452	4,437	4,021	2,600	8,629	525	–	130	57,794
								2015	2014
								Units	Units
Owned and managed								55,666	54,824
Managed on behalf of others								2,128	2,032
								57,794	56,856
Managed by others								654	650

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

24. Notes to the Group Cash Flow Statement

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

	2015 £'000	2014 £'000
Operating surplus	165,771	122,178
Non cash flow items:		
Interests in joint ventures – operating surplus included	(5,721)	(122)
– distributions received	–	2,845
Depreciation	32,807	30,912
Amortisation of set-up costs	462	358
Unwinding of bond liability	50	65
Impairment of properties: write back	(400)	(1,867)
Decrease/(increase) in stock	30,514	(31,119)
Decrease/(increase) in debtors	2,642	(6,434)
Increase in creditors	4,200	5,532
Increase/(decrease) in other provisions	10	(651)
FRS17 'Retirement Benefits' adjustment	(4,077)	(6,203)
Net cash flow from operating activities	226,258	115,494

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

	2015 £'000	2014 £'000
Increase/(decrease) in net cash in period	16,817	(14,315)
Set-up costs paid	290	463
Cash (inflow)/outflow from movement in fixed asset investments	(841)	555
Cash outflow from movement in current investments	750	1,513
Cash outflow/(inflow) from movement in housing loans	17,009	(95,817)
Repayment of finance lease	348	528
Change in net debt resulting from cash flows	34,373	(107,073)
Amortisation of set-up costs	(462)	(358)
Unwinding of bond liability	(50)	(65)
Net debt at the beginning of the year	(1,212,973)	(1,105,477)
Net debt at the end of the year	(1,179,112)	(1,212,973)

(iii) Reconciliation of net debt

	Cash at bank and in hand £'000	Fixed asset investments £'000	Current asset investments £'000	Finance leases £'000	Net housing loan and bond £'000	Net debt £'000
At 1 April 2014	73,151	26,949	1,513	(3,878)	(1,310,708)	(1,212,973)
Net cash flow	16,817	(841)	750	348	17,299	34,373
Other non-cash changes	–	–	–	–	(512)	(512)
At 31 March 2015	89,968	26,108	2,263	(3,530)	(1,293,921)	(1,179,112)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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. The exception is Affinity Sutton Repairs Limited, which instead still offers 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 company per annum is dependent on the contribution by the employee as follows:

Employee contributes	Affinity Sutton Group Limited and Grange Management (Southern) Limited contribute
Up to 7.5%	Up to 7.5%
Greater than 7.5%	7.5%

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

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 is currently finalising the formal valuation as at 30 September 2014 but key provisional results have been confirmed. The market value of the scheme's assets was £3,123 million and there was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

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 2015 (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 £1.7 million in 2015/16, 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 £605,000 for the year starting 1 April 2015.

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 2013 by an independent actuary, using the projected unit credit method. The next formal valuation will be as at 31 March 2016.

The Fund was closed to future accrual from 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2013, using a set of assumptions consistent with those required under FRS17. The next formal valuation will be as at 31 March 2016.

The Fund was closed to future accrual from 30 June 2013.

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.

The Fund was closed to future accrual from 30 June 2013.

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 £2.8 million for the year starting 1 April 2015. 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 2015 (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 Repairs Limited. The employer contribution rate per annum payable by members of the Group is dependent on the contribution by the employee as follows:

	Affinity Sutton Group Limited contributes
Employee contributes	
5%	10%
	Affinity Sutton Repairs Limited contributes
Employee contributes	
Up to 5%	Up to 5%
More than 5%	5%
	Community Building Services (CBS) Limited contributes
Employee contributes	
Up to 3%	Up to 6%
More than 3%	6%
	Grange Management (Southern) Limited contributes
Employee contributes	
Up to 5%	Up to 10%
More than 5%	10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2015	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets	9,605	18,562	18,649	16,607	78,000	141,423
Present value of scheme liabilities	(12,351)	(18,208)	(21,244)	(24,136)	(98,000)	(173,939)
Net asset/(liability) in balance sheet	(2,746)	354	(2,595)	(7,529)	(20,000)	(32,516)
Movements in fair value of scheme assets						
At 1 April 2014	8,327	17,230	16,599	16,309	65,700	124,165
Expected return on scheme assets	564	1,016	1,002	1,018	4,400	8,000
Actuarial gains	571	771	1,559	30	8,000	10,931
Contributions by employer	614	308	101	54	3,200	4,277
Benefits paid	(471)	(763)	(612)	(804)	(3,300)	(5,950)
At 31 March 2015	9,605	18,562	18,649	16,607	78,000	141,423
Movements in present value of scheme liabilities						
At 1 April 2014	10,322	17,779	19,328	21,230	84,300	152,959
Current service cost	–	–	–	–	200	200
Interest on obligation	461	713	818	917	3,600	6,509
Actuarial losses	2,039	479	1,710	2,793	13,200	20,221
Estimated unfunded benefits paid	–	–	–	(19)	–	(19)
Estimated benefits paid	(471)	(763)	(612)	(785)	(3,300)	(5,931)
At 31 March 2015	12,351	18,208	21,244	24,136	98,000	173,939

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 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 2015 (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 2015						
Current service cost	–	–	–	–	200	200
Interest on obligation	461	713	818	917	3,600	6,509
Expected return on scheme assets	(564)	(1,016)	(1,002)	(1,018)	(4,400)	(8,000)
	(103)	(303)	(184)	(101)	(600)	(1,291)
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

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 2015						
Operating costs	–	–	–	–	200	200
Other finance income	(103)	(303)	(184)	(101)	(800)	(1,491)
	(103)	(303)	(184)	(101)	(600)	(1,291)
Year to 31 March 2014						
Operating costs	–	21	46	68	300	435
Other finance income	(48)	30	(30)	56	(200)	(192)
	(48)	51	16	124	100	243

The total amount recognised in the Statement of Total Recognised Surpluses and Deficits in respect of actuarial losses is £9,290,000 (2014: £476,000 gains).

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 £39,627,000 (2014: £30,337,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

25. Pensions – Group (continued)

History of schemes	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Downland					
Fair value of scheme assets	9,605	8,327	7,364	7,724	7,192
Present value of scheme liabilities	(12,351)	(10,322)	(9,152)	(10,348)	(8,416)
Deficit	(2,746)	(1,995)	(1,788)	(2,624)	(1,224)
Herts Council					
Fair value of scheme assets	18,562	17,230	14,831	12,673	12,469
Present value of scheme liabilities	(18,208)	(17,779)	(18,367)	(16,676)	(15,609)
Surplus/(deficit)	354	(549)	(3,536)	(4,003)	(3,140)
LB Bromley					
Fair value of scheme assets	18,649	16,599	13,470	12,262	12,236
Present value of scheme liabilities	(21,244)	(19,328)	(18,795)	(17,710)	(15,540)
Deficit	(2,595)	(2,729)	(5,325)	(5,448)	(3,304)
London Pensions					
Fair value of scheme assets	16,607	16,309	15,160	13,336	13,027
Present value of scheme liabilities	(24,136)	(21,230)	(21,676)	(19,888)	(16,863)
Deficit	(7,529)	(4,921)	(6,516)	(6,552)	(3,836)
William Sutton					
Fair value of scheme assets	78,000	65,700	63,600	57,100	56,000
Present value of scheme liabilities	(98,000)	(84,300)	(82,100)	(78,600)	(70,900)
Deficit	(20,000)	(18,600)	(18,500)	(21,500)	(14,900)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

25. Pensions – Group (continued)

Experience adjustments

	2015 %	2014 %	2013 %	2012 %	2011 %
Downland					
Experience gains/(losses) as % of scheme assets	5.94	0.65	6.78	(2.87)	(4.19)
Experience losses/(gains) as % of scheme liabilities	(0.72)	(1.08)	(3.21)	0.06	(1.71)
Herts Council					
Experience gains/(losses) as % of scheme assets	4.15	4.28	8.02	(4.67)	(1.91)
Experience losses/(gains) as % of scheme liabilities	(3.67)	(2.83)	(0.22)	1.86	1.03
LB Bromley					
Experience gains/(losses) as % of scheme assets	8.36	10.87	7.61	(2.90)	(10.80)
Experience losses as % of scheme liabilities	-	1.83	-	-	11.60
London Pensions					
Experience gains/(losses) as % of scheme assets	0.18	(1.36)	7.31	(5.65)	(0.82)
Experience losses/(gains) as % of scheme liabilities	1.18	6.23	(0.14)	0.13	7.87
William Sutton					
Experience gains/(losses) as % of scheme assets	10.26	(0.91)	5.66	(4.38)	4.46
Experience losses/(gains) as % of scheme liabilities	(0.20)	(0.36)	0.97	(0.64)	(0.42)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2015	Downland £'000	Herts Council £'000	LB Bromley £'000	London Pensions £'000	William Sutton £'000	Total £'000
Fair value of scheme assets:						
Equities	6,234	12,044	13,595	7,203	42,100	81,176
Gilts	799	-	-	-	-	799
Other bonds	931	4,601	3,133	-	29,300	37,965
Property	1,571	1,342	-	471	5,800	9,184
Cash	70	575	-	1,907	-	2,552
LDI/Cashflow matching	-	-	-	1,247	-	1,247
Target return portfolio	-	-	-	4,801	-	4,801
Other	-	-	1,921	978	800	3,699
	9,605	18,562	18,649	16,607	78,000	141,423
Present value of scheme liabilities	(12,351)	(18,208)	(21,244)	(24,136)	(98,000)	(173,939)
Surplus/(deficit)	(2,746)	354	(2,595)	(7,529)	(20,000)	(32,516)
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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

25. Pensions – Group (continued)

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

At 31 March 2015	Downland	Herts Council	LB Bromley	London Pensions	William Sutton
Inflation	2.8%	n/a	2.0%	2.4%	3.0%
Salary increases	n/a	3.5%	n/a	4.2%	4.0%
Pension increases in payment	2.8%	2.1%	2.0%	2.4%	2.1%
Discount rate	3.3%	3.1%	3.3%	3.3%	3.1%
Expected return on scheme assets:					
Equities	6.5%	5.7%	6.5%	6.5%	7.5%
Gilts	2.4%	–	–	–	–
Other bonds	3.1%	2.6%	3.0%	–	3.8%
Property	6.0%	3.9%	–	5.7%	6.5%
Cash	0.5%	2.6%	–	2.0%	–
LDI/Cashflow matching	–	–	–	2.3%	–
Target return portfolio	–	–	–	4.9%	–
Other	–	–	6.5%	5.1%	0.5%
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%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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_2014_M[1%] and CMI_2014_F[1%] respectively with ages rated up 1 year.

The assumed life expectations in retirement are as follows:

Retiring today	Males	21.3
	Females	23.2

Retiring in 20 years	Males	22.5
	Females	24.7

Hertfordshire County Council Pension Fund

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to the long-term rate of 1.25% p.a.

The assumed life expectations in retirement 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[1.5%] series with a 97% multiplier for males and 91%/97% for non-retired/retired females respectively.

The assumed life expectations in retirement are as follows:

Retiring today	Males	23.1
	Females	25.5

Retiring in 20 years	Males	25.4
	Females	28.4

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 in retirement are as follows:

Retiring today	Males	22.4
	Females	25.4

Retiring in 20 years	Males	24.8
	Females	27.7

William Sutton Housing Association Final Salary Scheme

Prior to retirement the mortality assumption is 60% of S2PxA Year of Birth tables projected using CMI_2013 with long-term improvement rates of 1.25% p.a. for males and 1.00% p.a. for females. After retirement the mortality assumption is 89%.

The assumed life expectations in retirement are as follows:

Retiring today	Males	23.3
	Females	25.0

Retiring in 20 years	Males	25.1
	Females	26.5

26. Legislative provisions

Affinity Sutton Group Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is regulated by the Homes and Communities Agency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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:

	2015	2014
	£'000	£'000
Aashyana Housing Association Limited ^a	92	152
Affinity Sutton Community Foundation	2,533	2,493
Affinity Sutton Homes Limited	57,919	57,848
Affinity Sutton Investments Limited	14	46
Affinity Sutton Repairs Limited ^b	103	100
Affinity Sutton Professional Services Limited	2,396	2,055
Broomleigh Regeneration Limited	92	75
Community Building Services (CBS) Limited	1,078	1,207
Grange Management (Southern) Limited	398	392
William Sutton Developments Limited	224	161
	64,849	64,529

^a Transferred its engagements to Affinity Sutton Homes Limited on 30 September 2014.

^b Formerly Affinity Sutton Labour Agency Limited.

Transactions between Affinity Sutton Homes Limited and non-regulated entities are disclosed in its own financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (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
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	Co-operative and Community Benefit Societies Act 2014	Charitable Housing Association
Affinity Sutton Investments Limited	Companies Act 2006	Investment vehicle
Affinity Sutton Repairs Limited ^a	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

^a Formerly Affinity Sutton Labour Agency Limited.

Affinity Sutton Group Limited's only direct equity investments as at 31 March 2015 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 Group Limited

Charitable Registered Society under the Co-operative
and Community Benefit Societies Act 2014 No. 28038R
Homes & Communities Agency No. LH4087

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