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## **SOUTHERN HOUSING GROUP LIMITED**

*(incorporated in England with limited liability under the Industrial and Provident Societies Act 1965 with registration number 31055R and registered with the Regulator under the Housing and Regeneration Act 2008, as amended by the Localism Act 2011, with number L4628)*

**£125,000,000 4.50 per cent. Secured Bonds due 2039  
(the 2039 Bonds)**

**Issue price: 99.335 per cent.**

**£50,000,000 5.364 per cent. Secured Bonds due 2044  
(the 2044 Bonds and, together with the 2039 Bonds, the Bonds)**

**Issue price: 100 per cent.**

**payable as to £1,000,000 on 4th February, 2014 and as to £49,000,000 on 4th February, 2019**

The £125,000,000 4.50 per cent. Secured Bonds due 2039 (the **2039 Bonds**) and the £50,000,000 5.364 per cent. Secured Bonds due 2044 (the **2044 Bonds** and, together with the 2039 Bonds, the **Bonds**) are issued by Southern Housing Group Limited (the **Issuer**). £50,000,000 in principal amount of the 2039 Bonds will be immediately purchased by or on behalf of the Issuer on the Issue Date (as defined below) (the **Retained Bonds**).

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the **UK Listing Authority**) for both the 2039 Bonds and the 2044 Bonds to be admitted to the Official List of the UK Listing Authority and for the 2039 Bonds and the 2044 Bonds to be admitted to trading on the Professional Securities Market (the **Professional Securities Market**) regulated by the London Stock Exchange plc (the **London Stock Exchange**). The Professional Securities Market is not a regulated market for the purposes of Directive 2004/39/EC. Admission to the Official List together with admission to trading on the Professional Securities Market constitute official listing on the London Stock Exchange.

Interest on the Bonds is payable semi-annually in arrear in equal instalments on 4th February and 4th August in each year (each an **Interest Payment Date**) on their Outstanding Principal Amount (as defined below), commencing on 4th August, 2014, as described in Condition 7 (*Interest*). Interest on the 2039 Bonds is payable at the rate of 4.50 per cent. per annum and interest on the 2044 Bonds is payable at the rate of 5.364 per cent. per annum.

The Issuer may, at its option, redeem all (or some only) of the Bonds of either Series (as defined below) at any time prior to the Maturity Date (as defined below) at the higher of their Outstanding Principal Amount and an amount calculated by reference to the sum of (i) the yield on the relevant outstanding United Kingdom government benchmark gilt having the nearest duration to that of the Bonds and (ii) 0.2 per cent., together with accrued interest. The Issuer may also, at its option, redeem all, but not some only, of the Bonds of either Series at any time at their Outstanding Principal Amount plus accrued interest, in the event of certain tax changes as described in Condition 9.2 (*Early Redemption for Taxation Reasons*). In addition, the Issuer shall redeem all of the Bonds, at their Outstanding Principal Amount plus accrued interest, within 180 days in the event that the Issuer ceases to be a Registered Provider of Social Housing (as defined below), subject to and as described in Condition 9.3 (*Mandatory Early Redemption*).

Unless previously redeemed, or purchased and cancelled (a) the 2039 Bonds will be redeemed at their Outstanding Principal Amount in 20 equal instalments on each Interest Payment Date from, and including, 4th August, 2029 to, and including, 4th February, 2039 and (b) the 2044 Bonds will be redeemed at their Outstanding Principal Amount in 20 equal instalments on each Interest Payment Date from, and including, 4th August, 2034 to, and including, 4th February, 2044.

The Issuer has been assigned a credit rating of "A1" by Moody's Investors Service Limited (**Moody's**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Bonds will not be rated.

The 2039 Bonds will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The 2044 Bonds will initially be issued in denominations of £5,000,000 and integral multiples of £1,000 in excess thereof. However, provided that the 2044 Bonds continue to be represented by the 2044 Temporary Global Bond (as defined below) on the Final Instalment Payment Date, the 2044 Bonds will be automatically redenominated and transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof. See Condition 2 (*Form, Denomination and Title*).

The 2039 Bonds and the 2044 Bonds will initially be represented by temporary global bonds (the **2039 Temporary Global Bond** and the **2044 Temporary Global Bond**, respectively, and, together, the **Temporary Global Bonds**), without principal receipts or interest coupons, which will be deposited on or about 4th February, 2014 (the **Closing Date**) with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the 2039 Temporary

Global Bond and interests in the 2044 Temporary Global Bond will be exchangeable for interests in permanent global bonds (the **2039 Permanent Global Bond** and the **2044 Permanent Global Bond**, respectively, and, together, the **Permanent Global Bonds**), without principal receipts or interest coupons, on or after 16th March, 2014 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bonds will be exchangeable for definitive Bonds only in certain limited circumstances - see "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*".

**An investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" on page 14.**

*Arranger and Sole Bookrunner*  
**Goldman Sachs International**

The date of this Offering Circular is 31st January, 2014

**This Offering Circular comprises approved listing particulars with regard to the Issuer and the Bonds, in accordance with the listing rules made under section 73A of FSMA. No prospectus is required in accordance with Directive 2003/71/EC for this issue of the Bonds.**

**The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The figures referred to in the Valuation Report of Savills Advisory Services Limited in the sections entitled "*The Property Market Overview*" and "*Existing Use Value – Social Housing – Valuation Approach*" were obtained from the Homes and Community Agency, the Nationwide House Price Index and Social Housing Magazine, respectively. The Issuer confirms that such figures have been accurately reproduced and that, as far as Savills Advisory Services Limited is aware and is able to ascertain from information published by the Homes and Communities Agency, Nationwide and Social Housing Magazine, no facts have been omitted which would render the reproduced figures inaccurate or misleading.**

**Savills Advisory Services Limited (the *Valuer*) accepts responsibility for the information contained in the section "*Valuation Report*" only and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**Save for the Issuer and the Valuer, no other person has independently verified any information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Goldman Sachs International (the *Arranger and Sole Bookrunner*) or Prudential Trustee Company Limited (the *Bond Trustee* and the *Security Trustee*) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Bonds. None of the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the issue of the Bonds.**

**No person is or has been authorised by the Issuer, the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee.**

**To the fullest extent permitted by law, none of the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by it or on its behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Arranger and Sole Bookrunner, the Bond Trustee and the Security Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.**

**Neither this Offering Circular nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer, the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee to any person to subscribe for or to purchase the Bonds.**



Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and Sole Bookrunner, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*" below).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arranger and Sole Bookrunner, the Bond Trustee and the Security Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger and Sole Bookrunner, the Bond Trustee or the Security Trustee which is intended to permit a public offering of any Bonds or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Bonds in the United States and the United Kingdom (see "*Subscription and Sale*" below).

IN CONNECTION WITH THE ISSUE OF THE BONDS, GOLDMAN SACHS INTERNATIONAL AS STABILISING MANAGER (THE STABILISING MANAGER) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prospective purchasers of Bonds should ensure that they understand the nature of the Bonds and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and the risks of investment in the Bonds and that they consider the suitability of the Bonds as an investment in light of their own circumstances and financial condition.

All references in this Offering Circular to *Sterling* and £ refer to pounds sterling.

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## OVERVIEW

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular.*

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole.

Words and expressions defined in "*Conditions of the 2039 Bonds*", "*Conditions of the 2044 Bonds*" and "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*" shall have the same meanings in this overview.

### Issuer:

Southern Housing Group Limited (the **Issuer**).

The Issuer is a Registered Provider of Social Housing and a not-for-profit organisation whose activities are regulated by the Regulator (as defined below).

The Issuer's primary business object is to provide, for the benefit of the community, social housing, other housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

### Description of the Bonds:

£125,000,000 4.50 per cent. Secured Bonds due 2039 (the **2039 Bonds**) and £50,000,000 5.364 per cent. Secured Bonds due 2044 (the **2044 Bonds** and, together with the 2039 Bonds, the **Bonds**) to be issued by the Issuer on 4th February, 2014 (the **Issue Date**).

The 2039 Bonds and the 2044 Bonds will each constitute a separate series (a **Series**) and will each have a different ISIN and Common Code. Reference to any Condition of the 2039 Bonds or the 2044 Bonds in this Offering Circular shall be a reference to the respective condition set out in "*Conditions of the 2039 Bonds*" and "*Conditions of the 2044 Bonds*" below.

£50,000,000 in principal amount of the 2039 Bonds will be immediately purchased by or on behalf of the Issuer on the Issue Date (the **Retained Bonds**).

### Use of Proceeds:

The net proceeds of the issue of the Bonds (or, in the case of the Retained Bonds, the net proceeds of the sale of the Bonds to a third party (after deduction of expenses payable by the Issuer)) shall be applied in furtherance of the Issuer's objects as permitted by the Issuer's Rules. The Issuer's primary business object is to provide, for the benefit of the community, social housing, other housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

**Issue Price:**

The Issue Price of the 2039 Bonds is 99.335 per cent.

The Issue Price of the 2044 Bonds is 100 per cent.

The issue price in respect of the 2044 Bonds will be payable in two instalments as follows:

- (a) £20 of each £1,000 in principal amount of the 2044 Bonds is due on the Issue Date; and
- (b) £980 of each £1,000 in principal amount of the 2044 Bonds is due on 4th February, 2019 (the **Final Instalment Payment Date**),

provided, in the case of the Final Instalment, that the Bonds have not become due and payable prior to the Final Instalment Payment Date.

Should any 2044 Bondholder fail to pay the full amount owing by it on the Final Instalment Payment Date, then (i) such 2044 Bondholder's position in respect of its 2044 Bonds will be blocked in accordance with the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, until such amount is paid in full, and/or further notice from the Issuer, which will result in such 2044 Bondholder being unable to trade its 2044 Bonds and (ii) the Issuer may, once such failure has continued for 10 Business Days and the Issuer has made reasonable efforts to contact any such 2044 Bondholder in respect of the payment owing, elect to forfeit all or any of the 2044 Bonds in respect of which such amount has not been duly paid, whereupon the Issuer shall be entitled to retain any amount(s) already paid to it under such 2044 Bonds and shall be discharged from any obligation to repay such amount(s) or to pay interest thereon, but shall have no other rights against any Bondholder whose 2044 Bonds have been so forfeited. Any forfeited 2044 Bonds shall be cancelled.

**Form of Bonds:**

The Bonds will be issued in bearer form as described in "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*".

**Status:**

The Bonds, Receipts and Coupons will constitute direct secured obligations of the Issuer and the Bonds, Receipts and Coupons of each Series will rank *pari passu* without any preference or priority amongst themselves.

**Interest:**

The Bonds will bear interest on their Outstanding Principal Amount payable semi-annually in arrear in equal instalments on 4th February and 4th August of each year, from (and including) the Issue Date to (but excluding) the Maturity Date (being 4th February, 2039 in respect of the 2039 Bonds and 4th February, 2044 in respect of the 2044 Bonds), subject to adjustment in accordance with Condition 8.5 (*Payment*

Day) (each, an **Interest Payment Date**).

The 2039 Bonds will bear interest at a fixed rate of 4.50 per cent. per annum and the 2044 Bonds will bear interest at a fixed rate of 5.364 per cent. per annum.

**Instalment Redemption:**

Unless previously redeemed or purchased and cancelled in accordance with Condition 9 (*Redemption and Purchase*):

- (a) the 2039 Bonds will be redeemed in 20 equal instalments of £50 per £1,000 in original principal amount on each Interest Payment Date from, and including, 4th August, 2029 to, and including, the Maturity Date; and
- (b) the 2044 Bonds will be redeemed in 20 equal instalments of £50 per £1,000 in original principal amount on each Interest Payment Date from, and including, 4th August, 2034 to, and including, the Maturity Date.

**Early Redemption:**

The Issuer may, at its option, at any time prior to the Maturity Date redeem all (or some only) of the Bonds of either Series upon notice given in accordance with Condition 9.4 (*Early Redemption at the Option of the Issuer*) at the higher of their Outstanding Principal Amount and an amount calculated by reference to the sum of (i) the yield on the relevant outstanding UK Government benchmark conventional gilt having the nearest duration to that of the Bonds and (ii) 0.2 per cent., together with accrued interest.

**Early Redemption for Tax Reasons:**

The Issuer may also, at its option, redeem all, but not some only, of the Bonds of either Series at any time at their Outstanding Principal Amount plus accrued interest, in the event of certain tax changes as described in Condition 9.2 (*Early Redemption for Taxation Reasons*).

**Mandatory Early Redemption:**

The Issuer shall redeem all, but not some only, of the Bonds at their Outstanding Principal Amount plus accrued interest, within 180 days in the event that the Issuer ceases to be a Registered Provider of Social Housing, subject to and as described in Condition 9.3 (*Mandatory Early Redemption*).

**Purchase:**

The Retained Bonds will be immediately purchased by the Issuer on the Issue Date.

The Issuer may also, at any time, purchase Bonds in accordance with the provisions of Condition 9.6 (*Purchases*). Any Bonds purchased by the Issuer may be held or resold or may be surrendered for cancellation.

**Retained Bonds:**

Pursuant to the terms of the Retained Bond Custody Agreement, the Retained Bond Custodian will hold the Retained Bonds on the Issuer's behalf and the Issuer has instructed the Retained Bond Custodian to waive its rights to

receive payments (of interest, principal or otherwise) on the Retained Bonds for so long as the Retained Bonds are held on the Issuer's behalf. Such waiver may not be revoked without the consent of the Bond Trustee.

Pursuant to the Bond Trust Deed, the Issuer has covenanted with the Bond Trustee that it will, immediately prior to a sale of any Retained Bonds by the Issuer, deliver to the Bond Trustee a certificate in writing signed by two Authorised Signatories of the Issuer addressed to the Bond Trustee confirming that, immediately following the sale of such Retained Bonds, the Borrower will be in compliance with the Asset Cover Test in respect of the 2039 Bonds.

The Retained Bonds may only be held on the Issuer's behalf until (but not including) the date falling five years after the Issue Date, and the Issuer must therefore sell the Retained Bonds within that five-year period, or else any Retained Bonds that have not been so sold will be cancelled in accordance with Condition 9.7 (*Cancellations*).

#### **Security:**

Subject as follows, the Issuer's obligations in respect of each Series of Bonds are secured, or will be secured, pursuant to Security Agreements by:

- (a) first fixed legal mortgages over all of the right, title and interest from time to time in the Charged Property;
- (b) first fixed charges over, *inter alia*, all plant and machinery which form part of the Charged Property and the benefit of Insurances and all present and future licences, consents and authorisations in respect of thereof; and
- (c) an assignment by way of security of the Issuer's rights, title and interest in and to certain agreements and covenants held by the Issuer.

The security created pursuant to the Security Agreements will be apportioned to the Bondholders of each Series and the other Secured Parties in respect of such Series collectively on a Numerical Apportionment Basis, in accordance with and subject to the terms of the Security Trust Deed, such that a specific number of Units of the NAB Charged Properties will be allocated, collectively, to the Bondholders of each Series and the other Secured Parties in respect of such Series. The basis of apportionment may only be changed to Specific Apportionment Basis in the limited circumstances, and in accordance with the procedures, specified in the Security Trust Deed.

The Issuer's obligations in respect of each Series of Bonds are also secured pursuant to the Bond Trust Deed by:

- (a) a charge by way of first fixed charge over all moneys from time to time standing to the credit of the Charged Account in respect of such Series and all debts represented thereby;
- (b) an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, in each case to the extent they relate to such Series; and
- (c) a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal, premium or interest in respect of such Series.

**Negative Pledge:**

The Issuer has covenanted, pursuant to Condition 5.2 (*Negative Pledge and Disposals*), for so long as any of the Bonds remain outstanding, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the security created by or pursuant to the Bond Trust Deed or the Security Trust Deed (as applicable), excluding, for this purpose any security interest created by operation of law.

**Asset Cover Covenant:**

Pursuant to Condition 5.3 (*Asset Cover Covenant*) the Issuer has covenanted, for so long as any of the Bonds of each Series remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties multiplied by the 2039 Bondholders' Security Percentage or the 2044 Bondholders' Security Percentage, as applicable; and
- (b) the Charged Cash in respect of such Series,

will not be less than the Outstanding Principal Amount of the Bonds of such Series (excluding, for this purpose in respect of the 2039 Bonds, the Retained Bonds held by or on behalf of the Issuer).

In calculating the Minimum Value of the Charged Properties, a discount is applied in accordance with the definition thereof such that any value given in a valuation of Charged Properties on an EUV-SH basis is divided by 105, and any value given in a valuation of Charged Properties on an MV-ST basis is divided by 115, and, in each case, is multiplied by 100.

**Information Covenant:**

The Issuer has also covenanted to deliver to the Bond Trustee, within 180 days after the end of each Financial Year, a copy of its consolidated audited financial statements and a copy of the Compliance Certificate in respect of such

Financial Year, and, upon request by a Bondholder to the Issuer, to make copies of such documents available to any of the Bondholders at the Issuer's registered office.

In addition to the rights of the Bondholders of each Series to convene a meeting pursuant to Condition 16 (*Meetings of Bondholders, Modification and Waiver*), at the request of the requisite majority of the Bondholders of a Series, the Issuer shall hold a meeting of the Bondholders of such Series to discuss the financial position of the Issuer, provided that the Issuer shall not be required to hold any such meeting more than once in any calendar year.

**Valuations:**

The Issuer has covenanted, in respect of each Series, pursuant to Condition 5.4 (*Valuations*), for so long as any of the Bonds remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2019) and, unless the Bond Trustee agrees otherwise, such Full Valuation must be delivered in the period between 31st March the date falling 60 days thereafter in each year that such Full Valuation is required to be delivered; and
- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2015) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

**Addition and Release of Charged Properties and Charged Cash:**

The Issuer may charge (and/or allocate) or release (and/or reallocate) Charged Properties from the Security (and the Bond Trustee in its capacity as Representative shall consent to such charging (and/or allocation) or release (and/or reallocation) and execute an amended Apportionment Certificate to reflect the same) subject to, and in accordance with, the requirements set out in Condition 6 (*Addition and Release of Charged Properties, Apportionment and Charged Cash*).

The Issuer may also, at any time, deposit money into the applicable Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if the Issuer is (at the relevant time), and will be (immediately following the withdrawal), in compliance with the Asset Cover Test.

**Events of Default:**

Following an Event of Default, the Bond Trustee may, and if so requested by the holders of at least 25 per cent. in Outstanding Principal Amount of the Bonds of a Series then outstanding shall (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and, upon certain events, the Bond Trustee having certified to the Issuer



that such event is, in its opinion, materially prejudicial to the interests of the Bondholders of such Series), give notice to the Issuer and the Bonds of such Series shall become immediately due and repayable.

The Events of Default include, *inter alia*, non-payment of any principal and interest due in respect of the Bonds of the relevant Series and failure of the Issuer to perform or observe any of its other obligations under the Conditions, the Bond Trust Deed or the Security Trust Deed, insolvency, unlawfulness and acceleration, or non-payment, in respect of other indebtedness in an aggregate amount equal to or in excess of £15,000,000 (or its equivalent).

**Meetings of Bondholders:**

The Conditions of the Bonds contain provisions for calling meetings of Bondholders of each Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders of such Series including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

**Modification and Waiver:**

The Bond Trustee may, pursuant to Condition 16 (*Meetings of Bondholders, Modification and Waiver*), without the consent of Bondholders, Receipholders, Couponholders or any Secured Party, agree any modification to, or to the waiver or authorisation of any breach or proposed breach of, the Conditions, the Bond Trust Deed, any other Transaction Document or any Security Agreement or determine that any Potential Event of Default or Event of Default shall not be treated as such (subject to the proviso in Condition 16.2) or consent to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven.

**Tax:**

All payments of principal and interest in respect of the Bonds will be made without withholding or deduction for taxes imposed by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required, the Issuer shall, save in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required.

<b>Risk Factors:</b>	<p>There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under "<i>Risk Factors</i>" below and include factors which may affect the Issuer's ability to fulfil its obligations under the Bonds, factors which are material for the purpose of assessing the market risks associated with the Bonds, risks relating to the security for the Bonds and risks related to the market generally.</p> <p>See "<i>Risk Factors</i>" below.</p>
<b>Listing and admission to trading:</b>	<p>Application has been made to the UK Listing Authority for both the 2039 Bonds and the 2044 Bonds to be admitted to the Official List and to the London Stock Exchange for the 2039 Bonds and the 2044 Bonds to be admitted to trading on the Professional Securities Market.</p>
<b>Credit Ratings:</b>	<p>The Issuer has been assigned a rating of "A1" by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency. The Bonds will not be rated.</p>
<b>Arranger and Sole Bookrunner:</b>	Goldman Sachs International
<b>Principal Paying Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Paying Agent:</b>	BNP Paribas Securities Services, London Branch
<b>Account Bank:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Retained Bond Custodian:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Bond Trustee:</b>	Prudential Trustee Company Limited
<b>Security Trustee:</b>	Prudential Trustee Company Limited
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of the Bonds in the United States and the United Kingdom. See "<i>Subscription and Sale</i>" below.</p>
<b>Governing Law:</b>	<p>The Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.</p>

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds issued are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. This section is not intended to be exhaustive and prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. If any of the following risks actually materialise, the Issuer's business, financial condition and prospects could be materially and adversely affected. No assurance can be given that prospective Bondholders will receive full and/or timely payment of interest and principal or ultimate recovery in relation to the Bonds.*

### **Factors which may affect the Issuer's ability to fulfil its obligations under the Bonds**

***Rental Income and Housing Benefit:*** A proportion of the rent received by the Issuer is derived from housing benefit payable by local authorities. If the Government were to reduce or cease to pay housing benefit, then this may accordingly have an adverse impact on the payment of rent, as the tenants would have to pay a higher proportion of the rent themselves. Payments of housing benefit by local authorities may be delayed as a result of, among other things, the need to establish a new claimant's entitlement thereto. The receipt of rental payments by the Issuer, as landlord, may be delayed by the failure of the claimant to regularly pay rent which is due in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid direct to the landlord, a failure to pass on the housing benefit payments to the landlord.

The Welfare Reform Act 2012 confirmed a number of changes to the benefits system to take place between 2013 and 2017. Certain welfare benefits are capped at a maximum level of around £26,000 per year for couples and lone parents or £18,200 per year for single people without children as from mid-April 2013. The Government's updated impact assessment on the introduction of the benefit cap indicates that around 56,000 households will have their benefits cut by the new policy in 2013/2014 and 58,000 households will have their benefits cut by the new policy in 2014/2015.

New occupation size criteria have applied to working age applicants' housing benefit claims relating to social housing as from 1st April, 2013. Initially the change is being implemented by an amendment to the existing Housing Benefit Regulations, but there are provisions with the same effect contained within the draft Universal Credit Regulations (and as such, no change to the operation of the occupation size criteria would occur if the Housing Benefit Regulations came into force as drafted).

The new arrangements allow each of certain defined categories of people (such defined categories being, (a) a couple, (b) an adult (over 16), (c) two children of the same sex, (d) two children under the age of 10, (e) any other child and (f) a non-resident overnight carer) to be entitled to one bedroom. Where a household has one extra bedroom, their housing benefit will be reduced by 14 per cent. of the total weekly rent. Where there are two or more extra rooms the reduction will be 25 per cent. of the total weekly rent. The Government's impact assessment published in mid-2012 indicated that around 660,000 claimants were expected to be affected by the new measure and some households are expected to go into arrears as a result of this reduction in housing benefit entitlement, which may have a knock-on effect on levels of rent arrears for Registered Providers of Social Housing.

Universal Credit, which will be phased in from October 2013, will be a single means-tested benefit paid to those of working age (in and out of work) which will include an amount in respect of housing costs which will replace housing benefit. Currently it is possible for tenants to consent to their housing benefit being paid directly to their landlord and it has been acknowledged by the Government that some households may go into rent arrears as a consequence of the introduction of Universal Credit and the related plans to introduce direct payment of the housing element of Universal Credit to claimants as the default position.

In order to allay the fears of Registered Providers of Social Housing and their lenders, the Department of Work and Pensions (the **DWP**) has agreed to safeguard landlords' income by putting in place protection mechanisms to allow for the payment of rent direct to landlords if tenants are vulnerable or fall into arrears of rent above a certain level. The DWP has set up a support and exceptions working group to look at which vulnerable claimants will fall within the support group and will be assessing the results of the pilot projects to identify the approach to arrears, which could be based on the length of time for which arrears have been outstanding or the amount of arrears. Changes to the structure of the benefit system (including any system of monthly in arrear payments of the housing component of Universal Credit to tenants) may affect the ability of claimants of housing benefit to pay their rent.

Whilst existing social tenancies and rent levels remain unchanged, the regulatory framework for social housing in England from April 2012 issued by the Homes and Communities Agency (**HCA**) introduced a new category of social housing rent which allows Registered Providers of Social Housing to charge rents of up to a maximum of 80 per cent of the market rent level on both newly developed stock and on new lettings of a proportion of existing stock as long as there is a development programme in place with the HCA. This new rent and tenancy combination is known as Affordable Rent. As the rent is linked to market levels, this has the potential to increase cashflow volatility because rent will fluctuate as the market does.

As a result of the reforms proposed by the Government, certain rating agencies have published reports which comment on the likely effect, and Moody's has downgraded the credit ratings of many Registered Providers of Social Housing and some councils. The reports highlight that changes to the sector and proposed changes to the benefits system are significant. These changes may increase the risks associated with an investment in the Bonds.

Welfare reform represents a change in the operating environment for the Issuer and potentially introduces several risks to its net income. These include potential increases in the amount of arrears and bad debts, increased rent collection times and an additional length of time to fill void properties where the under-occupation reform may impact.

The Issuer has the following mechanisms in place to mitigate these risks:

- checks are made on all new tenants of affordable housing to ensure they meet affordability criteria;
- there is a team of dedicated officers to provide appropriate financial guidance to residents;
- there is a robust arrears recovery process with extra fixed term rent collection staff included in the Issuer's budget;
- the 'Southern Works' project is in place to assist residents to find work and thereby reduce their reliance on benefit; and
- an increase in the bad debt provision has been allowed from the 2013/14 budget onwards;

The cashflow impact has been modelled into the Issuer's long-term financial plan. This financial plan was provided to the Regulator (as defined below) before it issued its Regulatory Judgment for the Issuer, confirming its G1 rating for governance and V1 rating for viability.

**Rental Growth Risk:** Government regulations mean that rental income in England can be increased each year in April by reference to the Retail Price Index (**RPI**) for the December of the preceding year plus 0.5 per cent. plus £2 per week. In April 2011 the Government implemented plans to increase welfare benefits (including housing benefit) in line with the Consumer Price Index (**CPI**) rather than RPI. The CPI is typically lower than RPI and does not currently include housing costs.

On 26th June 2013 the Chancellor announced that social rents in England will increase in line with the CPI plus one per cent. from 2015 until 2025. This formula will replace the current formula of RPI plus 0.5 per cent plus £2. The Issuer's business plan now incorporates the CPI plus 1 per cent. rent increases until 2025. However, there is no certainty as to the likely permitted annual increase in rents after 2025. This future uncertainty in rental income increases post 2025 could affect the Issuer's ability to meet its payment obligations on a timely basis under the Bonds and/or its other debt financing arrangements.

**Housing Grant Risk:** The Issuer receives grant funding from a variety of sources, including the HCA. Due to the nature of grant funding, there is a risk that the amount of funding available and the terms of grants will vary. Following approval of a grant there is a risk that the HCA may revise the terms of a grant and reduce entitlement, suspend or cancel any instalment of such a grant. In certain circumstances, set out in the Regulatory Framework (as defined below), including but not limited to, failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, the grant may be required to be repaid or reused. Any such reduction in, withdrawal of, repayment or re-use of grant funding could adversely impact the future development plans of the Issuer. This is mitigated by the fact that the Issuer's bid for the affordable programme is modest and the resulting developments and converted tenure units will represent a small proportion of the Issuer's business. Further, the HCA will now pay grant monies under the Affordable Homes Programme at 'start on site' for development schemes as opposed to just on 'practical completion'.

**Regulatory Risk:** The Housing and Regeneration Act 2008 as amended by the Localism Act 2011 (the **Act**) makes provision for the regulation of social housing provision in England.

Pursuant to the Act, the HCA, acting through a regulatory committee, acts as the regulator of social housing (the **Regulator**). The HCA exercises its functions as Regulator acting through a separate committee established to undertake this regulatory role. This arrangement came into force on 1st April, 2012. The statutory powers available to the Regulator are largely unchanged from those previously in place between April 2010 and April 2012, during which time the Tenant Services Authority (**TSA**) acted as the regulator of Registered Providers of Social Housing. The Regulator continues to provide economic regulation for Registered Providers of Social Housing in order to ensure they are financially viable and well governed and to support the confidence of private lenders to provide funds at competitive rates.

The Regulator regulates Registered Providers of Social Housing in England in accordance with the publication entitled "The regulatory framework for social housing in England from April 2012" (the **Regulatory Framework**), setting out the standards which apply to Registered Providers from 1st April, 2012. The standards are: "Tenant Involvement and Empowerment", "Home standard", "Neighbourhood and Community", "Value for Money", "Governance and Financial Viability" and the "Rent standard". Registered Providers of Social Housing are expected to comply with the standards, although the Regulator's approach is that providers should have freedom to enable them to innovate in the best interests of their tenants.

The enforcement by the Regulator of the standards other than those relating to governance and financial viability, rent and value for money is restricted to cases in which there is, or there is a risk of, serious detriment to tenants. The Regulatory Framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

The nature and extent of regulation could change in the future and expose the Issuer to greater risk if there is a diversification of its business.

**Shared Ownership Tenures:** Shared ownership income is generated on the initial sale of the property (known as the "first tranche") which is sold to the "shared owner"; on subsequent sales of further "tranches" or portions

of the property to the shared owner (known as "staircasings"); and in the form of subsidised rent on the part of the property which the shared owner does not own until the property is fully owned by the shared owner.

There is a risk that if a tenant of a shared ownership property borrows monies through a mortgage from a commercial lender (having obtained consent from the Issuer) then that lender's mortgage may take priority ahead of any security arrangements that are in place. However, if that commercial lender were to enforce its security following a tenant defaulting on its mortgage, such lender could staircase (i.e. purchase a portion of the freehold property) up to 100 per cent. in order to be able to sell the whole leasehold interest in which case the Issuer as landlord would receive such staircasing payments from the commercial lender. If the price for the full 100 per cent receivable on sale is not sufficient to meet the principal outstanding (plus 12 months interest and other statutorily permitted costs) then the shortfall will remain as a debt due to the landlord from the defaulting leaseholder. Under current HCA rules, any shortfall not recovered is borne first by the provider of any grant in respect of the property, and thus the Issuer is only affected to the extent that the shortfall cannot be covered by grant monies. This only applies where shared ownership units are grant-funded. If a commercial lender did enforce its security by staircasing up to 100 per cent. and there was such a shortfall, the Issuer would no longer receive rent for its retained share of the property which could have an impact upon its rental income.

As at 31st March, 2013, shared ownership units comprised 6.71 per cent. of the Issuer's housing stock.

**Market Related Risk:** While the Issuer is primarily a provider of affordable housing, it is subject to commercial pressures and therefore undertakes diversified activities within the Group (as defined below) where income is subject to such commercial pressure. For example, Southern Space Limited (**SSL**) has a one third share in Triathlon Homes LLP which will provide the long term affordable housing at the Olympic Village from November 2013. The Issuer also holds 50 per cent. partnership capital in Affinity Housing Services (Reading), a joint venture with Windsor District Housing Association. The joint venture has a 33 per cent. holding in Affinity (Reading) Holdings Limited, which holds 100 per cent. of the share capital of Affinity (Reading) Limited, the operator of a PFI Contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's Stock. There is no recourse to the Issuer in respect of either the Triathlon Homes LLP project or the PFI contract.

SSL also develops properties for outright sale. The Issuer is therefore exposed to a limited extent to market risk in relation to housing for sale, including both demand and pricing risks. Market risks which may impact upon both the rental market and the development of residential properties include the risk of changes to UK government regulation, including, but not limited to, regulation relating to planning, taxation, landlords and tenants and welfare benefits.

Among other things, these market risks may impact upon the expenses incurred by the Issuer associated with existing residential properties, rental income produced by these properties, the value of its existing investments, its ability to develop land that it has acquired and its ability to acquire additional sites. This could, in turn, impact upon the Issuer's cash flow and its ability to satisfy any covenants which it is required to maintain pursuant to the terms of any existing financing arrangements or the Bonds.

**Operational Risk:** Operational risks may result from major systems failure or breaches in systems security and the consequences of theft, fraud, health and safety and environmental issues, natural disaster, acts of terrorism, anti-social behaviour and delays in letting empty properties. These events could result in financial loss to the Issuer and impact on its ability to fulfil its obligations under any existing financing arrangements or the Bonds.

These risks are mitigated by the fact that the Issuer has the benefit of insurance for them. The Issuer also operates crisis reporting procedures that ensure the communications team is able to respond effectively. There are also documented business continuity plans in place for the principal office locations, which are regularly updated. The Group has also completed an incident scenario exercise recently and has an external host in place to back up its IT systems in the event of a major incident.

**Legal and Compliance Risk:** The Issuer knows the significance to its operations of, and is focused on, adhering to all legal and compliance legislation. The Issuer is not currently aware of any material failure to

adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or failure to comply with corporate, employee or taxation laws. If any of this were to occur in the future, this could have an adverse impact on the Issuer's results of its operations.

To date, litigation claims made against the Issuer have not had a material impact on the revenue or business of the Issuer, although there can be no assurance that the Issuer will not, in the future, be subject to a claim which may have a material impact upon its revenue or business.

Furthermore, the Issuer has the benefit of insurance for, among others, employer's liability, public liability and directors' and officers' liability at levels which the Issuer's management considers to be prudent for the type of business in which the Issuer is engaged.

**Capital Resources and Treasury Risk:** To mitigate liquidity risk and augment its capital resources, the Issuer currently relies on financing through secured term and revolving credit facilities from banks and building societies. However, the Issuer could find itself unable to access sources of financing at suitable interest rates if bank or building society lines become unavailable or unattractive to the Issuer, for example, if (i) there is a change in lender attitude to the registered provider sector or (ii) increased costs are passed on to borrowers or (iii) there is a significant increase in LIBOR. A significant amount of finance provided to Registered Providers of Social Housing by banks and building societies is "underwater" i.e. it is costing the lenders more to borrow the case than they receive from lending. As a result, if the Issuer were to breach any of its loan covenants, its existing bank and building society lenders may take the opportunity to re-price existing loans. This would result in an increase in debt funding costs for the Issuer. To mitigate this risk, the Issuer uses careful financial modelling and operates under a strict policy of loan covenant compliance. Currently the Issuer is not aware of a likely breach of any of its loan covenants.

The Issuer is also subject to interest rate risk in respect of its variable rate borrowing although the Issuer's hedging strategy seeks to reduce interest rate risk volatility and uncertainty by allowing for a balance of fixed, floating and other hedged debt. As at 31st March, 2013, approximately 62.65 per cent of the Issuer's borrowings were fixed rate debt and 9.73 per cent were index-linked. The Issuer also has the ability to enter longer term swaps through embedding within loan agreements or entering into standalone derivatives in the event of short term rates becoming excessive.

**Accounting Risk:** From the start of the financial year commencing 1st April, 2015, most Registered Providers of Social Housing (including the Issuer) will be required to adopt Financial Reporting Standard 102 (FRS 102). Adoption of FRS 102 will have a profound effect on the audited accounts of Registered Providers of Social Housing. For example, FRS 102 will have an impact on the accounting treatment of the Borrower's assets and liabilities, including housing grant, pension liabilities, financial instruments, asset classification and impairment of assets. This may result in a need to renegotiate certain financial covenant definitions and ratios within existing loan documentation, if that loan documentation does not permit continued calculation of financial covenants using existing accounting policies.

However, in order to mitigate the risk of potential breaches of financial covenants, the Issuer will enter into early discussions with lenders. The Issuer also has in place a robust internal checking procedure to monitor ongoing compliance with covenants.

**Pensions Risk:** The Issuer participates in a number of final salary pension schemes, such as the Social Housing Pension Scheme. A number of these final salary schemes are currently in deficit.

The Issuer participates in the following final salary pension schemes:

- Southern Housing Group Pension Plan administered by the Trustees of the Southern Housing Group Pension Plan (**SHGPP**);
- The Local Government Pension Scheme administered by the Isle of Wight Council, the Isle of Wight Pension Fund (**IWPF**);

- The Local Government Pension Scheme administered by Islington Council, the Islington Council Pension Fund (**ICPF**);
- The Social Housing Pension Scheme administered by the Pensions Trust (**SHPS**); and
- Growth Plan administered by the Pensions Trust (**GP**).

*SHGPP*: In relation to the SHGPP, the FRS17 Valuation Report for the year ending 31st March, 2013 produced by the scheme the scheme actuary, applying the assumptions used by the scheme actuary, shows that the scheme has a net deficit of £12,520,000.

*IWPF*: In relation to the IWPF, the FRS17 Valuation Report for the year ending 31st March, 2013 produced by the scheme actuary, applying the assumptions used by the scheme actuary, shows that the scheme has a net deficit of £2,973,000.

*ICPF*: In relation to the ICPF, there are only 2 members in the ICPF and the share of the scheme assets and liabilities are not material.

*SHPS*: The valuation results at 30th September, 2011 were completed in 2012. 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 per cent.

As at 30th September 2012 the scheme actuary estimated that the employer debt that would have been payable if the Issuer withdrew from SHPS as at that date, would be an estimated debt of £23,102,440.

Following the 2011 Valuation SHPS has implemented a new Recovery Plan. This new Recovery Plan is on a "share of liabilities" basis and will cover a 13 year period from the 30th September, 2011 valuation date.

Under the Recovery Plan, in addition to employer contributions to fund future service:

- from April 2013 the Issuer will pay an annual deficit contribution of £162,829.44 (which will continue to increase by 4.7 per cent. per annum from April 2014); and
- from April 2013 the Issuer will pay a further annual deficit contribution of £204,873.08 (which will increase by 3 per cent. per annum with effect from April 2014).

*GP*: The valuation results for GP at 30th September, 2011 were completed in 2011. The assets of GP on a Technical Provisions valuation basis amounted to £780,300,000.00 as at 30th September, 2011. At the same date the liabilities were £927,900,000.00 resulting in a deficit of £147,600,000.00 and a funding level of 84.1 per cent.

A Recovery Plan has been put into place for GP which aims to eliminate the deficit via a combination of additional contributions from employers and investment returns over a period of 10 years from 1st April, 2013.

With effect from April 2013 the Issuer will pay an annual payment of £6,590.52 towards the deficit.

*General*: There may be certain circumstances in which the sponsoring employers of these pension schemes are required to make good the funding deficit in short order. Certain forms of restructuring of the Issuer may result in circumstances in which a funding deficit has to be met. For example, a transfer of engagements or a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) could trigger a net pension liability. However, the Issuer always carefully considers the pension implications of restructuring proposals and wherever possible ensures that such restructurings are organised to avoid pension liabilities crystallising.



There is also a risk that an employing entity within the Issuer could be required to contribute to pension schemes on the basis that they are parties "connected to" or "associated with" the relevant employers, whether or not they themselves are classified as "employers".

The regulator of pensions (known as the Pensions Regulator) may require certain parties to make contributions to certain pension schemes that have a deficit.

The Pensions Regulator has the power to serve a contribution notice or a financial support direction on the sponsoring employers of a defined benefit scheme. A contribution notice is a financial obligation requiring the payment of a sum of money to a defined benefit scheme where there has been an act or omission, one of the main purposes of which was to avoid or reduce an employer's debt, or where the Pensions Regulator considers that an act or failure to act is "materially detrimental" to the likelihood of a person receiving their accrued scheme benefits. A financial support direction is where the employer of a defined benefit scheme is "insufficiently resourced" and where the Pensions Regulator may require financial support to maintain solvency of the pension scheme.

A financial support direction could be served on the Issuer if the Issuer is connected to/associated with a defined benefit scheme (which could include SHPS) which is insufficiently resourced.

If a contribution notice or financial support direction were to be served on the Issuer, this could have an adverse impact on the cashflow of the Issuer. If the amount payable under a contribution notice or support direction was material, this could adversely affect their ability to meet their payment obligations on a timely basis under their financing arrangements and/or the Bonds.

## **Factors which are material for the purpose of assessing the market risks associated with the Bonds**

### ***Risks Related to the Structure of the Bonds***

***Denominations involve integral multiples: definitive Bonds:*** The 2039 Bonds initially have denominations consisting of a minimum of £100,000 plus one or more higher integral multiples of £1,000. The 2044 Bonds initially have denominations consisting of a minimum of £5,000,000 plus one or more higher integral multiples of £1,000. Provided the 2044 Bonds continue to be represented by the 2044 Temporary Global Bond on the Final Instalment Payment Date, on and following the Final Instalment Payment Date the 2044 Bonds will be automatically redenominated and transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

It is possible that the Bonds may be traded in amounts that are not integral multiples of £100,000 or £5,000,000, as applicable. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 or £5,000,000, as applicable, in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to £100,000 or £5,000,000, as applicable.

If definitive 2044 Bonds are issued prior to the Final Instalment Payment Date, they will be issued in denominations of £5,000,000 plus one or more higher integral multiples of £1,000. To enable the definitive 2044 Bonds to be exchanged for definitive 2044 Bonds which are transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof, the Issuer will be required to prepare a further offering circular to be approved by the Financial Conduct Authority as listing particulars for the purpose of the Listing Rules. If the Issuer is unable to do so, the Bonds will be continue to be transferable only in denominations of £5,000,000 plus integral multiples of £1,000. This may result in the 2044 Bonds being illiquid and difficult to trade.

***Liability under the Bonds:*** The Bonds are obligations of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Offering Circular. The Bonds will constitute direct, general, secured obligations of the Issuer and the Bonds of each Series will rank equally among themselves.

**Partly paid risks:** The issue price in respect of the 2044 Bonds is payable in two instalments. Any failure by a Bondholder to pay the Final Instalment in respect of their 2044 Bonds may result in (a) such Bondholder's position in respect of its 2044 Bonds being blocked in accordance with the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, until such amount is paid in full, and/or further notice from the Issuer, which will result in such Bondholder being unable to trade its 2044 Bonds and (b) the forfeiture of all or any 2044 Bonds in respect of which such amount has not been duly paid and such investor losing all of his/her investment.

**Interest rate risks:** The Bonds bear interest at a fixed rate and therefore involve the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

**Potential Conflicts of Interest:** Each of the Arranger and Sole Bookrunner, the Bond Trustee, the Security Trustee, the Paying Agents and the Account Bank (together with the Issuer, the **Relevant Parties**) and their affiliates in the course of each of their respective businesses may provide services to other Relevant Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Relevant Parties and their affiliates or between such Relevant Parties and their affiliates and such third parties. Each of the Relevant Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Relevant Party.

**Redemption prior to maturity:** In the event that the Bonds become repayable prior to maturity either following an Event of Default (as defined in Condition 12 (*Events of Default and Enforcement*)) or due to taxation (pursuant to Condition 9.2 (*Early Redemption for Taxation Reasons*)), the Bonds will be redeemed in full at their Outstanding Principal Amount plus accrued interest. In such circumstances it may not be possible for an investor to reinvest the redemption proceeds at an effective rate of interest as high as the interest rate on the Bonds. Furthermore, the optional redemption feature of the Bonds is likely to limit their market value as the market value generally will not rise substantially above the price at which they can be redeemed.

**Modification, waivers and substitution:** The Conditions of the Bonds of each Series and the Bond Trust Deed contain provisions for calling meetings of Bondholders of such Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders of such Series, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions of the Bonds of each Series and the Bond Trust Deed also provide that the Bond Trustee may, without the consent of Bondholders of such Series or any Secured Party (i) agree to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds of such Series or the Bond Trust Deed or any other Transaction Document or (ii) determine without the consent of the Bondholders of such Series or the other Secured Parties that any Potential Event of Default or Event of Default shall not be treated as such or (iii) agree to the substitution of another company, industrial and provident society or other entity as principal debtor under the Bonds of such Series in place of the Issuer, in the circumstances described in the Conditions, provided, in each case, that the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interest of Bondholders of such Series.

**Change in Law:** The Conditions of the Bonds are based on English law, regulatory and administrative practice in effect as at the date of this Offering Circular, and have due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the United Kingdom after the date of this Offering Circular.

**European Monetary Union:** It is possible that, prior to the repayment in full of the Bonds, the United Kingdom may become a participating member state in the European Economic and Monetary Union and that

the Euro will become the lawful currency of the United Kingdom. The introduction of the Euro could be accompanied by a volatile exchange rate and/or interest rate environment which could adversely affect holders of the Bonds. It cannot be said with certainty what effect the adoption of the Euro by the United Kingdom (if it occurs) will have on the holders of the Bonds.

**Taxation:** Under the Conditions of the Bonds (see Condition 10 (*Taxation*)), the Issuer will not be entitled to make any deduction or withholding on account of tax from payments in respect of the Bonds unless such withholding or deduction is required by law. In the event that any deduction or withholding on account of tax is required by law, the Issuer shall be required (except in the limited circumstances set out in Condition 10 (*Taxation*)) to pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required. Where the deduction or withholding is required as a result of a change in applicable law or regulations, the Issuer may exercise its option to redeem the Bonds of either Series in full on the next Interest Payment Date at the Outstanding Principal Amount, plus accrued interest, pursuant to Condition 9.2 (*Early Redemption for Taxation Reasons*). As mentioned above, in such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Bonds, see below in "*Taxation*".

**EU Savings Directive:** Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### ***Risks Relating to the Security of the Bonds***

**Considerations relating to the Security:** The Bonds of each Series will be secured by the Security granted, pursuant to the Bond Trust Deed and the Security Trust Deed, in favour of the Bond Trustee and the Security Trustee, as applicable, for the benefit of the Bondholders of such Series and such security includes first fixed legal mortgages over the Charged Properties.

The validity of any security given by the Issuer in connection with additions and substitutions of Charged Properties may depend on the solvency of the Issuer at the time of the grant.

**Change of apportionment basis of Charged Properties:** The Security Trust Deed apportions security to the Bondholders of each Series on a "Numerical Apportionment Basis". This means that a specific number of units within the portfolio of Charged Properties will be allocated to the Bondholders of each Series in accordance with the terms of the Security Trust Deed. The basis of apportionment may only be changed to

"Specific Apportionment Basis" in the limited circumstances, and in accordance with the procedures, specified in the Security Trust Deed. In particular, the basis of the apportionment of the Bondholders of each Series may only be changed upon the request of the Bond Trustee or each of the other NAB Beneficiaries upon the security under the Security Documents in respect of the Residual Charged Properties (each as defined in the Security Trust Deed) becoming enforceable. For so long as the Bondholders' security is apportioned on a Numerical Apportionment Basis, the value of the security apportioned in respect of each Series will be determined by reference to a percentage of the total value of the portfolio of Charged Properties that are apportioned on a Numerical Apportionment Basis.

***Environmental Considerations:*** Under relevant UK environmental legislation, liability for environmental matters can be imposed on the "owner" or "person in control" of land. The term "owner" is not specifically defined and could include anyone with a proprietary interest in a property, which could include a representative of a trustee as a mortgagee in possession (in respect of which see the risk factor entitled "*Mortgagee in Possession Liability*" below). Environmental laws may impose liability on the owner for clean-up costs if a property is or becomes contaminated. The Issuer may therefore be liable for the entire amount of the clean-up and redemption costs for a contaminated site regardless of whether the contamination was caused by it or not. These costs may be significant and may affect the ability of the Issuer to meet its payment obligations under the Bonds.

In addition, the presence of hazardous or toxic substances, or the failure to adequately remedy adverse environmental conditions at a Charged Property, may adversely affect the market value of the Charged Property, as well as the Issuer's ability to sell, lease or refinance the Charged Property. Any environmental liability imposed on the Issuer could also affect the ability of the Issuer to meet its payment obligations under the Bonds.

***Sufficiency of Insurance:*** Although each Charged Property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance, nor can there be any assurance that the loss will not exceed the limits of such insurance. Any reduction in income or any loss or damage caused to a Charged Property not adequately covered by insurance could result in a shortfall in funds available to meet the Issuer's payment obligations under the Bonds.

***Fixed charges may take effect under English law as floating charges:*** Pursuant to the Bond Trust Deed, the Issuer has purported to grant a fixed charge over, amongst other things, all rights and benefits under the Charged Account in respect of each Series. The laws of England and Wales relating to the characterisation of fixed charges are unsettled. The fixed charges purported to be granted by the Issuer (other than assignment of security) may take effect under English law only as floating charges if, for example, it is determined that the Bond Trustee or the Security Trustee, as applicable, does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Bond Trustee or the Security Trustee, as the case may be, will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors.

***Claims of Creditors of the Issuer other than Secured Parties:*** Under English law, any creditor (who has not entered into non-petition clauses) would (save where an administrator has been appointed, where applicable) be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt.

***Mortgagee in Possession Liability:*** There is a risk that the Security Trustee may be deemed to be a mortgagee in possession if it physically enters into possession of a Charged Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Security Trustee. The consequence of being a mortgagee in possession would be that the Security Trustee may be obliged to account to the Issuer for the income obtained from the Charged Property, be liable for any damage to the Charged Property, have a limited liability to repair the Charged Property and, in certain circumstances, may be obliged to make improvements or incur financial liabilities in respect of the Charged Property. A mortgagee in possession may also be liable to a tenant for any mismanagement of the

relevant property and may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), the liabilities of a property owner. Pursuant to the Security Trust Deed, the Issuer is required to indemnify the Security Trustee against all liabilities and expenses suffered or incurred by it. The obligation to indemnify the Security Trustee may mean that there is a shortfall in funds available to pay all amounts due and owing under the Bonds.

***Moratorium:*** In order to protect the interest of tenants and to preserve the housing stock of a Registered Provider of Social Housing, a 28 working day moratorium on the disposal of land (which also applies to mortgages and charges over such land) by an insolvent non-profit Registered Provider of Social Housing will apply, upon certain steps being taken in relation to that Registered Provider of Social Housing such as presenting a winding up petition. The Regulator will then seek to agree proposals about the future ownership and management of the provider's land with its secured creditors. The moratorium procedure may adversely affect the Security Trustee's ability to exercise its power of sale against the Issuer under the Security Trust Deed, as the procedure stipulates actions that must be taken by a secured creditor prior to that secured creditor being able to exercise its power of sale and gives powers to the Regulator in respect of certain secured assets.

### ***Risks Relating to the Market Generally***

***Potential Limited Liquidity:*** The Bonds may not have an established market when issued. There can be no assurance of a secondary market for the Bonds or the continued liquidity of such market if one develops. The development or continued liquidity of any secondary market for the Bonds will be affected by a number of factors such as the state of credit markets in general and the creditworthiness of the Issuer, as well as other factors such as the time remaining to the maturity of the Bonds.

***Global economic disruption:*** Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue to some extent at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds, concerns over the liquidity of major banks and building societies and the consequent effects on the general economy and the housing market. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Bonds and instruments similar to the Bonds will be available in the future.

***Exchange rate risks and exchange controls:*** The Issuer will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings may not reflect all risks:*** The Issuer is rated "A1" by Moody's. This rating may not reflect the potential impact of all risks related to the Issuer, market and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the assigning rating agency at any time.

On 17th May, 2013, Moody's downgraded the issuer and the debt ratings of all but one rated Registered Provider of Social Housing following a revision of the level of extraordinary support factored into their ratings. This concluded the review for downgrade initiated on 25th February, 2013.

Although the Issuer's "A1" rating was awarded after this time, nevertheless this shows that rated issuers may be susceptible to further adjustments (whether upward or downward) and in particular any adjustments which may be made as a result of a credit rating agency's methodology.

***Legal investment considerations may restrict certain investments:*** The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

## PAYMENT BY INSTALMENTS IN RESPECT OF THE 2044 BONDS

The 2044 Bonds will initially be issued in denominations of £5,000,000 and integral multiples of £1,000 in excess thereof. The issue price in respect of the 2044 Bonds will be payable in two instalments as follows:

- (a) £20 of each £1,000 in principal amount of the 2044 Bonds (the **Initial Instalment**) is due on the Issue Date; and
- (b) £980 of each £1,000 in principal amount of the 2044 Bonds (the **Final Instalment** and, together with the Initial Instalment, the **Purchase Instalments**) is due on 4th February, 2019 (the **Final Instalment Payment Date**),

provided, in the case of the Final Instalment, that the Bonds have not become due and repayable prior to the Final Instalment Payment Date.

Words and expressions defined in "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*" and "*Conditions of the 2044 Bonds*" shall have the same meanings in this section.

Upon payment of the Initial Instalment on the Issue Date, the 2044 Temporary Global Bond will be issued and delivered to a common safekeeper for Euroclear and Clearstream, Luxembourg in the aggregate principal amount of £50,000,000. Euroclear and Clearstream, Luxembourg will credit as partly-paid, to each person who has subscribed and paid the Initial Instalment, a principal amount of 2044 Bonds equal to the principal amount of 2044 Bonds in respect of which such person has paid the Initial Instalment.

The obligation to pay the Final Instalment in respect of any 2044 Bond will transfer to the person shown in the records of Euroclear and Clearstream, Luxembourg as being entitled to a partly-paid Bond (an **Entitled Accountholder**) on the Final Instalment Payment Date. Upon receipt of the Final Instalment on the Final Instalment Payment Date from an Entitled Accountholder:

- (i) Euroclear and Clearstream, Luxembourg shall pay the same to the Issuer and credit as fully paid to such Entitled Accountholder the principal amount of 2044 Bonds in respect of which the Final Instalment shall have been received; and
- (ii) the Principal Paying Agent (on behalf of the Issuer) shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

Payment of the Final Instalment will be made by Clearstream, Luxembourg or Euroclear on behalf of an Entitled Accountholder by debiting the account of such holder with Clearstream, Luxembourg or Euroclear.

Pursuant to the Agency Agreement, the Issuer shall give notice to holders of the 2044 Bonds, in accordance with Condition 14 (*Notices*), not later than 5 Business Days prior to the Final Instalment Payment Date, that (a) the Final Instalment is due on the Final Instalment Payment Date and (b) the Asset Cover Test will (on the Final Instalment Payment Date) be satisfied by reference to the fully paid-up amount, and Entitled Accountholders will be advised by Clearstream, Luxembourg or Euroclear not later than 5 Business Days prior to the Final Instalment Payment Date of requisite funding arrangements.

The Issuer is entitled to accept payment of the Final Instalment in respect of any 2044 Bond which has not yet been forfeited at any time after due date for payment. If the Entitled Accountholder fails to pay in full the Final Instalment on the due date for payment (i) the Entitled Accountholder's position in respect of its 2044 Bonds will be blocked in accordance with the procedures of Euroclear or Clearstream, Luxembourg until the Final Instalment is paid in full, and/or further notice from the Issuer, which will result in the Entitled Accountholder being unable to trade its 2044 Bonds and (ii) the Issuer may, once such failure has continued for 10 Business Days and the Issuer has made reasonable efforts to contact such Entitled Accountholder in respect of the payments owing, elect to forfeit all or any of the 2044 Bonds in respect of which such amount has not been

duly paid, whereupon the Issuer shall be entitled to retain any amount(s) already paid to it under such 2044 Bonds and shall be discharged from any obligation to repay such amount(s) or to pay interest in respect of the 2044 Bonds so forfeited, but shall have no other rights against any holders whose 2044 Bonds have been so forfeited. Upon such forfeiture, the Issuer shall procure that details of such forfeiture shall be entered *pro rata* in the records of Clearstream, Luxembourg or Euroclear, and upon any such entry being made, any forfeited 2044 Bonds shall be cancelled and the aggregate principal amount of the 2044 Bonds represented by the 2044 Temporary Global Bond or the 2044 Permanent Global Bond shall be reduced by such forfeited amounts.



## CONDITIONS OF THE 2039 BONDS

*The following are the Conditions of the 2039 Bonds which will be endorsed on each 2039 Bond in definitive form (if issued).*

The £125,000,000 4.50 per cent. Secured Bonds due 2039 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise required, include any further bonds issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Bonds) of Southern Housing Group Limited (the **Issuer**) are constituted by a Bond Trust Deed dated 4th February, 2014 (as modified and/or amended and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) made between the Issuer and Prudential Trustee Company Limited (the **Bond Trustee**, which expression shall include any successor(s)) as trustee for the holders of the Bonds (the **Bondholders**), the holders of the principal receipts appertaining to the Bonds (the **Receiptholders** and **Receipts** respectively) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The Bondholders have the benefit of security allocated to them pursuant to a Security Trust Deed dated 4th February, 2014 (as amended and/or supplemented and/or restated from time to time, the **Security Trust Deed**) made between, *inter alios*, the Issuer and Prudential Trustee Company Limited (the **Security Trustee**, which expression shall include any successor(s)).

The Bonds also have the benefit of an Agency Agreement (as modified and/or amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 4th February, 2014 and made between the Issuer, the Bond Trustee, BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Copies of the Bond Trust Deed, the Security Trust Deed, the Security Agreements (as defined below) and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH and at the specified office of each of the Paying Agents. The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of and are entitled to the benefit of, all the provisions of the Bond Trust Deed, the Security Trust Deed, the Security Agreements and the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Bond Trust Deed, which includes the form of the Bonds, and the Security Trust Deed.

### 1. DEFINITIONS

Words and expressions defined in the Bond Trust Deed, the Security Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

**2039 Bond Beneficiaries** means, collectively, the Bondholders and the other Secured Parties;

**2039 Bondholders' Apportioned Part** means (a) for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the number of Units allocated to the 2039 Bond Beneficiaries in relation to the Bonds and the Transaction Documents from time to time on a Numerical Apportionment Basis pursuant to the Security Trust Deed and (b) in the event that the basis of apportionment is changed to Specific Apportionment Basis, the SAB Charged Properties;

**2039 Bondholders' Security Percentage** means (a) for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the 2039 Bondholders' Apportioned Part divided by the total number of Units comprising the NAB Charged Properties (expressed as a percentage) and (b) in the event that the basis of apportionment is changed to Specific Apportionment Basis, 100 per cent.;

**Account Agreement** means the Account Agreement dated 4th February, 2014 and made between the Issuer, the Bond Trustee and the Account Bank, as amended and/or supplemented and/or restated from time to time;

**Account Bank** means BNP Paribas Securities Services, Luxembourg Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

**Appointee** means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Bond Trustee under, or pursuant to, these Conditions or the Bond Trust Deed;

**Apportionment Certificate** means, in relation to the 2039 Bond Beneficiaries, the certificate to the Representative as signed by the Issuer and countersigned by the Security Trustee and the Representative which sets out the number of Units which are allocated in favour of the 2039 Bond Beneficiaries in relation to all monies, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by the Issuer to the 2039 Bond Beneficiaries pursuant to the Bond Trust Deed, the Bonds, the Receipts, the Coupons and the other Transaction Documents, as amended and redelivered from time to time, and which is substantially in the form set out in Schedule 3 to the Security Trust Deed;

**Approved Tenancy Agreement** means a tenancy agreement, shared ownership lease or licence substantially in line with the guidelines of the Regulator or in such other form as may be approved by the Security Trustee;

**Asset Cover Test** means the financial covenant set out in Condition 5.3 (*Asset Cover Covenant*);

**Authorised Signatory** means, in respect of the Issuer, a board member, the secretary or any senior executive officer of the Issuer;

**Beneficiary** means:

- (a) in respect of the Bonds, the 2039 Bond Beneficiaries; and
- (b) each other entity which accedes to the Security Trust Deed as a beneficiary pursuant to and in accordance with the terms of the Security Trust Deed;

**Charged Account** means an account in the name of the Issuer established pursuant to the Account Agreement which is charged in favour of the Bond Trustee pursuant to the Bond Trust Deed for the benefit of the 2039 Bond Beneficiaries;

**Charged Cash** means, at any time, the aggregate of all amounts standing to the credit of the Charged Account at such time;

**Charged Properties** means, at any time, any property over which the Issuer has granted a valid and effective first priority legal mortgage or fixed charge pursuant to a Security Agreement and which has been allocated for (among others, for so long as the security is apportioned on a Numerical Apportionment Basis) the benefit of the 2039 Bond Beneficiaries pursuant to the Security Trust Deed;

**Compliance Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*) to the Bond Trust Deed setting out, *inter alia*, calculations in respect of the Asset Cover Test;

**Desk Top Valuation** means, in relation to the Charged Properties, a valuation of those properties conducted in accordance with the same methodology as a Full Valuation addressed to, *inter alios*, the Bond Trustee provided by a Valuer on a "desk-top" basis;

**Enforcement Event** means any of the events, howsoever described, specified in a Finance Document (as defined in the Security Trust Deed) as an event upon the occurrence of which any Beneficiary or any group of Beneficiaries (or, in the case of the 2039 Bond Beneficiaries, the Representative) becomes entitled:

- (a) to call for early repayment of all or any of the Secured Liabilities under such Finance Documents; and/or
- (b) to terminate all or any of the transactions entered into pursuant to such Finance Document (but excluding any interest rate arrangement entered into by the relevant Beneficiary to which the Issuer is not a party unless such Beneficiary becomes entitled to terminate the same as a consequence of a default (howsoever described) by the Issuer under the terms of the Finance Document prior to the scheduled maturity thereof); and/or
- (c) to require the Security Trustee to enforce any of the Security Documents constituting such Beneficiary's apportioned security;

**EUV-SH** means a valuation made on the basis of existing use value for social housing ("EUV-SH") as defined by UKVS1.13 Valuations for registered social landlords of the RICS Valuation – Professional Standards January 2014 (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of RICS Valuation Standards) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Security Trustee and a Valuer, and **EUV-SH Charged Properties** shall be construed accordingly;

**Event of Default** has the meaning given to it in Condition 12.1 (*Events of Default*);

**Financial Year** means each 12 month period ending on 31st March;

**Fixtures** means, in relation to any Charged Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer;

**Full Valuation** means, in relation to the Charged Properties or the New Additional Properties, a valuation of those properties addressed to, *inter alios*, the Bond Trustee provided by a Valuer containing such information as is relevant to the portfolio of the Charged Properties or the New Additional Properties, as the case may be, and showing the value of the properties on the basis of EUV-SH and/or MV-ST (to the extent applicable) or, where agreed between the Bond Trustee and the Issuer, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Full Valuation given by such Valuer in respect of such properties;

**Housing and Regeneration Act** means the Housing and Regeneration Act 2008 (as amended from time to time);

**Instalment Redemption Date** has the meaning given to it in Condition 9.1 (*Redemption in Instalments*);

**Insurances** means all contracts and policies of insurance of whatever nature which are from time to time taken out by or with the authority and on behalf of the Issuer in relation to the Charged Property or (to the extent of such interest) in which the Issuer has an interest in relation to the Charged Property;

**Letting Documents** means any lease, tenancy or licence to occupy or any agreement for any of the same from time to time granted or entered into by the Issuer or any predecessor in title of the Issuer (as the case may be) in respect of the Charged Property and any licence, consent or approval given thereunder;

**Maturity Date** means 4th February, 2039, being the final Instalment Redemption Date;

**Minimum Value** means:

$$\left( \frac{A}{105} + \frac{B}{115} \right) \times 100$$

where:

A = the Value of the residential EUV-SH Charged Properties determined on the basis of EUV-SH; and

B = the Value of the residential MV-ST Charged Properties determined on the basis of MV-ST.

For the avoidance of doubt, the Charged Properties shall be treated as EUV-SH Charged Properties for the purpose of determining the Minimum Value unless and until a Value, determined on the basis of MV-ST, is given by a Valuer in respect of such Charged Properties and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of each such Charged Property and, on the basis of which, the Valuer is of the opinion that it may be disposed of by the Issuer on an unfettered basis (meaning subject to any existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use);

**MV-ST** means a valuation made on the basis of the current Market Value as defined by VS 3.2 of the RICS Valuation - Professional Standards January 2014 (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) (effectively, in these circumstances, based on the fact that the properties are subject to existing tenancies but are not restricted to use as social housing let at sub-market rents, and that any Units that become vacant may be sold with vacant possession) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Security Trustee and a Valuer;

**MV-ST Charged Properties** means the Charged Properties accepted as such in accordance with the provisions of the Bond Trust Deed;

**NAB Beneficiaries** means each Beneficiary which has been allocated Charged Properties pursuant to the Security Trust Deed on a Numerical Apportionment Basis;

**NAB Charged Properties** means the aggregate number of Units comprising the Charged Properties which have been apportioned to the 2039 Bond Beneficiaries pursuant to the Security Trust Deed on a Numerical Apportionment Basis;

**New Additional Properties** has the meaning given to it in Condition 6.1 (*Addition of New Charged Properties*);

**New Property Approval Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 6 (*Form of New Property Approval Certificate*) to the Bond Trust Deed;

**Numerical Apportionment Basis** has the meaning given to it in the Security Trust Deed;

**Outstanding Principal Amount** means, in respect of each Bond, its principal amount as reduced from time to time pursuant to Condition 9.1 (*Redemption in Instalments*) and **Outstanding Principal Amount of the Bonds** shall be construed accordingly;

**Permitted Reorganisation** means any amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of the Issuer's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Industrial and Provident Societies Act 1965) made between the Issuer (**Party A**) and any other entity (**Party B**) provided that (a) any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing; (b) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in such Party B or new amalgamated entity, Party B or such new amalgamated entity, as the case may be, will thereafter be responsible for all the liabilities of Party A pursuant to the Industrial & Provident Societies Act 1965; and (c) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Bond Trustee;

**Potential Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the forming of an opinion and/or the fulfilment of any similar condition, would constitute an Event of Default;

**Property Release Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 7 (*Form of Property Release/Reallocation Certificate*) to the Bond Trust Deed;

**Property Security** has the meaning given to it in Condition 4 (*Security*);

**Registered Provider of Social Housing** means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act or any replacement or successor legislation thereto or a person having a status which, in the opinion of the Issuer and the Bond Trustee is substantially equivalent under any replacement or successor legislation;

**Regulator** means the Regulation Committee of the Homes and Communities Agency constituted pursuant to the Housing and Regeneration Act, as amended by the Localism Act 2011, or any similar future authority or authorities carrying on substantially the same regulatory and/or supervisory functions;

**Relevant Date** means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*);

**Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds, Receipts or Coupons;

**Representative** means the Bond Trustee in its capacity as Representative for the 2039 Bond Beneficiaries pursuant to the Security Trust Deed;

**Retained Bond Custodian** means BNP Paribas Securities Services, Luxembourg Branch as custodian pursuant to the Retained Bond Custody Agreement or any successor custodian appointed thereunder;

**Retained Bond Custody Agreement** means the custody agreement relating to the Retained Bonds dated 4th February, 2014 and made between the Issuer, the Bond Trustee and the Retained Bond Custodian, as amended and/or supplemented and/or restated from time to time;

**Retained Bonds** means £50,000,000 in principal amount of the Bonds purchased by the Issuer on the Issue Date;

**Right to Buy** means the right of a tenant of a property:

- (a) to buy that property from the Issuer under section 180 of the Housing and Regeneration Act or under Part V of the Housing Act 1985 (or any similar right replacing those rights) or under any contract conferring such a right and including, without limitation, such rights preserved notwithstanding any previous transfers of that property to the Issuer from any local authority;
- (b) to acquire an interest in that property from the Issuer by means of a shared-ownership lease where the terms of any such lease comply with the regulatory requirements of the Regulator or have been approved by the Issuer; or
- (c) to buy or acquire an interest in that property from the Issuer under any voluntary scheme approved by the Issuer;

**Rules** means the rules of the Issuer, as amended from time to time;

**SAB Charged Properties** means the aggregate number of Units comprising the Charged Properties which have been apportioned to the 2039 Bond Beneficiaries pursuant to the Security Trust Deed on a Specific Apportionment Basis;

**Secured Parties** means the Bond Trustee (for itself and on behalf of the Bondholders, the Receiptholders and Couponholders), the Principal Paying Agent, the other Paying Agents, the Account Bank and the Retained Bond Custodian;

**Security** has the meaning given to it in Condition 4 (*Security*);

**Security Assets** has the meaning given to it in Condition 4 (*Security*);

**Security Agreement** means (a) the Security Agreement dated 4th February, 2014 between the Issuer and the Security Trustee pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Receipts, the Coupons and the other Transaction Documents and (b) any additional agreement entered into between the Issuer and the Security Trustee substantially in the form set out in the Security Trust Deed pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Receipts, the Coupons and the other Transaction Documents;

**Security Documents** means the Security Trust Deed and each Security Agreement;

**Shared Ownership Property** means any property acquired by the Issuer then being occupied on shared ownership terms or in respect of which the Issuer grants a lease on shared ownership terms so that the Issuer holds, or is intending to hold upon disposal on shared ownership terms, less than 100 per cent. of the beneficial (or heritable) interest in that property and the purchaser of the balance of that

beneficial (or heritable) interest has the right to acquire a further portion of the Issuer's retained beneficial (or heritable) interest;

**Shared Ownership Sale** means the disposal of the whole or any interest in a Unit of residential accommodation by the Issuer (or of the retained interest of the Issuer in any Unit of residential accommodation) which, immediately before the disposal, was comprised in a Shared Ownership Property;

**Social HomeBuy** has the meaning given to that term in the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006;

**Specific Apportionment Basis** has the meaning given to it in the Security Trust Deed;

**Statutory Disposal** means a Shared Ownership Sale, the exercise of a Right to Buy, a Social HomeBuy disposal or any other disposal of a Charged Property where it is required that some or all of the relevant disposal proceeds be credited to the disposal proceeds fund (as defined in section 177 of the Housing and Regeneration Act) of the Issuer;

**Statutory Disposal Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 8 (*Form of Statutory Disposal Certificate*) to the Bond Trust Deed;

**Taxes** has the meaning given to it in Condition 10 (*Taxation*);

**Transaction Documents** means the Bond Trust Deed, the Security Trust Deed, the Agency Agreement, the Account Agreement and the Retained Bond Custody Agreement;

**Transaction Party** means any person who is a party to a Transaction Document;

**UK Government Gilt** means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury;

**Unit** means, at any time, a Charged Property or part thereof in relation to which there is or, when let, there would be, a separate rental contract entered into with the Issuer and **Units** means all such Charged Properties or parts thereof;

**Valuation** means a Full Valuation or Desk Top Valuation;

**Value** means, at any time and in relation to the Charged Properties, the value of those properties as shown in the then latest Full Valuation or Desk Top Valuation on the basis of EUV-SH or, as the case may be, MV-ST (provided that if any Charged Property or part thereof is sold pursuant to a Right to Buy, the Value of the relevant Charged Property shall, for the purposes of this definition and with effect from the date of the relevant sale or release, be zero (if the entire relevant Charged Property has been sold) or (if only part of the Issuer's interest in the relevant Charged Property has been sold) shall be the proportion of the value of the Charged Property which has not been sold pursuant to the relevant Right to Buy); and

**Valuer** means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the Royal Institute of Chartered Surveyors as may be appointed by the Issuer or the Bond Trustee from time to time.

## **2. FORM, DENOMINATION AND TITLE**

The Bonds are in bearer form, serially numbered, in the denomination of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Receipts, Coupons and Talons attached on issue. No Bonds will be issued with a denomination above £199,000.

Title to the Bonds, Receipts and Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

## **3. STATUS**

The Bonds, Receipts and the Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (*Security*), and rank *pari passu* without any preference or priority amongst themselves.

## **4. SECURITY**

### **4.1 Security**

(a) Subject to Condition 4.1(b), the Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions, the Bond Trust Deed and the Security Documents) pursuant to each Security Agreement in favour of the Security Trustee for the benefit of itself and the 2039 Bond Beneficiaries as follows:

(i) by way of first fixed legal mortgage over the Charged Properties specified therein together with all buildings and Fixtures, erections and structures thereon or in the course of construction thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered into by any predecessor in title of the Issuer and any monies paid or payable in respect of such covenants;

(ii) by way of first fixed charge over:

(A) all fixed plant and machinery now or in the future owned by the Issuer and its interest in any fixed plant or machinery in its possession, in each case which form part of the Charged Property;

(B) all benefits in respect of the Insurances and all claims and returns of premiums in respect of the Charged Property;

(C) the benefit of all present and future licenses, consents and authorisations (statutory or otherwise) held in connection with the Security Assets specified therein and the use of any of the Security Assets specified therein and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and

(D) if and in so far as the legal mortgage set forth in paragraph (a) above or the assignments set out in paragraph (c) below shall for any reason be ineffective as legal mortgages or assignments, the assets referred to therein; and

(iii) by an assignment by way of security of the Issuer's rights, title and interest in and to:

(A) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all



security held by the Issuer from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or which may become due and owing to the Issuer or which may become due and owing to the Issuer at any time in the future in connection therewith);

- (B) all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of the whole or any part of the Security Assets specified therein (including, without limitation the generality of the foregoing, all moneys due and owing to the Issuer or which may become due and owing to the Issuer at any time in the future in connection therewith);
- (C) all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future so as to enable the Issuer to perfect its rights under each such agreement, contract, deed, licence, undertaking, guarantee, covenant, warranty, representation or other document) entered into by or given to the Issuer in respect of the Charged Properties and all claims, remedies, awards or judgments paid or payable to the Issuer (including, without limitation, all liquidated and ascertained damages payable to the Issuer under the above) in each case relating to the Charged Properties;
- (D) all licences held now or in the future in connection with any Charged Properties and also the right to recover and receive all compensation which may at any time become payable to the Issuer in relation to each Charged Property;
- (E) all rights and claims to which the Issuer is now or may hereafter become entitled in relation to any development, construction project, redevelopment, refurbishment, repair or improvement of or on each Charged Property;
- (F) all guarantees, warranties, bonds and representations given or made or which may be given or made by and any rights or remedies against all or any of the designers, builders, contractors, surveyors, valuers, professional advisers, sub-contractors, manufacturers, suppliers and installers of any Fixtures in respect of each Charged Property; and
- (G) all rental income and disposal proceeds unless already assigned pursuant to (A), (B) or (C) above in each case relating to the Charged Properties specified therein and the right to make demand for and receive the same,

provided always that, unless and until an Enforcement Event has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements and covenants referred to in paragraphs (A) to (G) above, and provided further that the Bond Trustee shall not give, or require the Issuer to give, any notice of assignment contained in this paragraph (iii) to any person unless and until an Enforcement Event has occurred and is continuing.

The security created pursuant to the Security Documents referred to above, and/or any deed or document supplemental thereto (being the security which has been allocated for the benefit of the 2039 Bond Beneficiaries), is referred to herein as the **Property Security**.

- (b) The security created pursuant to the Security Agreements will be apportioned to the 2039 Bond Beneficiaries on a Numerical Apportionment Basis, in accordance with and subject to the terms of the Security Trust Deed, such that a specific number of Units of the NAB Charged Properties will be allocated to the 2039 Bond Beneficiaries.

The basis of apportionment may only be changed to Specific Apportionment Basis in the limited circumstances, and in accordance with the procedures, specified in the Security Trust Deed. In particular, the basis of the Bondholders' apportionment may only be changed upon the request of the Bond Trustee or each of the other NAB Beneficiaries upon the security under the Security Documents in respect of the NAB Charged Properties becoming enforceable.

For so long as the Property Security is apportioned on a Numerical Apportionment Basis, all references to the Charged Properties in these Conditions shall, for the avoidance of doubt, be a reference to the NAB Charged Properties. In the event that the basis of apportionment is changed to Specific Apportionment Basis, all references to the Charged Properties in these Conditions shall, for the avoidance of doubt, be a reference to the SAB Charged Properties.

- (c) The Issuer's obligations in respect of the Bonds are also secured (subject as provided in these Conditions and the Bond Trust Deed) pursuant to the Bond Trust Deed in favour of the Bond Trustee for the benefit of itself and the 2039 Bond Beneficiaries as follows:
- (i) by charges by way of a first ranking pledge governed by Luxembourg law and a second ranking fixed charge over all moneys from time to time standing to the credit of the Charged Account and all debts represented thereby;
  - (ii) by an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, in each case to the extent they relate to the Bonds; and
  - (iii) by a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds,

provided always that, unless and until an Event of Default has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements referred to in paragraph (ii) above.

- (d) The property charged and assigned pursuant to both the Security Documents and the Bond Trust Deed referred to above, together with any other property or assets held by and/or assigned to the Security Trustee (and allocated for the benefit of the 2039 Bond Beneficiaries) or the Bond Trustee and/or any deed or document supplemental thereto, is referred to herein as the **Security Assets** and the security created thereby (including, for the avoidance of doubt, the Property Security) is referred to herein as the **Security**.

## 4.2 Post-enforcement

Following the enforcement of the Property Security, the net proceeds of enforcement of the Property Security shall be applied in the following order of priority:

- (a) first, in or towards payment of all remuneration, costs, charges, expenses and liabilities of the Security Trustee and any receiver, attorney or agent in connection with the performance of its duties and exercise of its discretion under the Security Documents, including any repairs, maintenance, management or servicing of the Charged Properties; and

- (b) second, towards payment to the Bond Trustee, in its capacity as Representative (and, for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the other NAB Beneficiaries on a *pari passu* basis by reference to their apportioned parts) for application as set out below.

Following the enforcement of the Security, all monies standing to the credit of the Charged Account and the net proceeds of enforcement of the Security (in respect of the Property Security, following application as set out above) shall be applied in the following order of priority:

- (a) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Bond Trustee, any Appointee or any receiver in preparing and executing the trusts under the Bond Trust Deed (including the costs of realising the Security and the Bond Trustee's and such receiver's remuneration);
- (b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a *pro rata* and *pari passu* basis;
- (c) third, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (d) fourth, in payment on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds; and
- (e) fifth, in payment of the surplus (if any) to the Issuer or any other person entitled thereto.

## **5. COVENANTS**

### **5.1 General Covenant**

The Issuer covenants to comply with its various undertakings set out in the Bond Trust Deed and the Security Trust Deed including, but not limited to, undertakings as to the maintenance of the Charged Properties.

### **5.2 Negative Pledge and Disposals**

The Issuer covenants, for so long as any of the Bonds remain outstanding, save as expressly permitted by the Bond Trust Deed and/or the Security Trust Deed, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the Security, excluding, for this purpose any security interest created by operation of law.

The Issuer also covenants that it shall not, save as expressly permitted by the Bond Trust Deed and/or the Security Trust Deed, sell, transfer, grant or lease or otherwise dispose of all or any part of the Security Assets without the prior written consent of the Bond Trustee (other than the grant of lettings with tenancy agreements in the form of an Approved Tenancy Agreement or on terms which confer no fewer material rights on the Issuer as the lessor or licensor and impose no material obligations on the Issuer additional to those set out in an Approved Tenancy Agreement).

### **5.3 Asset Cover Covenant**

The Issuer covenants, for so long as any of the Bonds remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties multiplied by the 2039 Bondholders' Security Percentage; and

- (b) the Charged Cash,

will not be less than the Outstanding Principal Amount of the Bonds (excluding, for this purpose, any Retained Bonds held by or on behalf of the Issuer).

#### **5.4 Valuations**

The Issuer covenants, for so long as any of the Bonds remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2019) and, unless the Bond Trustee agrees otherwise, such Full Valuation must be delivered in the period between 31st March and the date falling 60 days thereafter in each year that such Full Valuation is required to be delivered; and
- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2015) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

Each Valuation shall set out in reasonable detail the Value of the Charged Properties as at a date no more than 90 days prior to the date of delivery of the Valuation.

#### **5.5 Information Covenants**

For so long as any of the Bonds remain outstanding, the Issuer shall:

- (a) send to the Bond Trustee, not later than 180 days after the end of each Financial Year, a copy of its consolidated audited financial statements and a copy of the Compliance Certificate in respect of such Financial Year and, upon request by any Bondholder to the Issuer, make the same available to such Bondholder at the Issuer's registered office during normal business hours;
- (b) at the request of Bondholders holding not less than 33 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to this Condition 5.5(b) more than once in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 14 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding its financial position raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 5.5(b) are in addition to the meetings provisions set out in Condition 16 (*Meetings of Bondholders, Modification and Waiver*); and
- (c) not later than three Business Days prior to the sale of any or all of the Retained Bonds, supply to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer confirming that, immediately following such exchange, the Issuer will be in compliance with the Asset Cover Test.

## **6. ADDITION AND RELEASE OF CHARGED PROPERTIES, APPORTIONMENT AND CHARGED CASH**

### **6.1 Addition of New Charged Properties**

The Issuer may charge additional properties pursuant to the Security Documents and allocate such additional properties as Charged Properties (the **New Additional Properties**) for the benefit of the 2039 Bond Beneficiaries (and the Bond Trustee in its capacity as Representative shall consent (without requiring the consent or sanction of the Bondholders or any other Secured Party) to such charging and allocation and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer to the Security Trustee of the condition precedent documents specified in Schedule 2 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Additional Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
  - (i) a completed New Property Approval Certificate certifying that, *inter alia*, the New Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing; and
  - (ii) a Full Valuation in relation to the New Additional Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Additional Properties are to be charged.

### **6.2 Release and/or reallocation of Charged Properties**

The Issuer may release (and reallocate, if applicable) any one or more of the Charged Properties from the Security and the Bond Trustee (in its capacity as Representative) shall agree (without requiring the consent or sanction of the Bondholders or any other Secured Party) to such release (and reallocation, if applicable), provided that, if such release would require an adjustment to the 2039 Bondholders' Apportioned Part, the Issuer delivers to the Bond Trustee a completed Property Release Certificate, certifying that the Issuer is (as at the date of the Property Release Certificate) in compliance with the Asset Cover Test, that, immediately following such release, the Issuer will be in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing.

### **6.3 Statutory Disposals**

The Issuer shall have the right to withdraw Charged Properties from the Security pursuant to any Statutory Disposal without the need for the consent of the Security Trustee or the Bond Trustee (in its capacity as Representative) provided that, if such release would require an adjustment to the 2039 Bondholders' Apportioned Part, the Issuer shall deliver to the Bond Trustee as soon as reasonably practicable after the Issuer has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal.

Without prejudice to the aforementioned right to withdraw Charged Properties from the Security pursuant to any Statutory Disposal, the Issuer covenants that, if following such withdrawal the Issuer will no longer be in compliance with the Asset Cover Test, it shall, as soon as practicable thereafter (and, in any event, prior to the expiry of the applicable grace period in Condition 12.1(c)), charge and/or allocate additional properties as Charged Properties pursuant to Condition 6.1 (*Addition of New Charged Properties*) and/or deposit money into the Charged Account pursuant to Condition 6.5 (*Charged Cash*) in an aggregate amount sufficient to ensure that the Issuer will be in compliance with the Asset Cover Test.

## **6.4 Apportionment**

Without prejudice to the other provisions of this Condition 6, the Bond Trustee shall agree (and shall be deemed to have confirmed to the Security Trustee under the Security Trust Deed its agreement) to any adjustment of the 2039 Bondholders' Apportioned Part provided that the Issuer would continue to be in compliance with the Asset Cover Test immediately after such adjustment.

## **6.5 Charged Cash**

The Issuer may, at any time, deposit money into the Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if:

- (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing; and
- (b) either:
  - (i) such Charged Cash is to be applied by the Issuer in the acquisition of a property which is to be charged pursuant to the Security Documents and allocated for the benefit of the 2039 Bond Beneficiaries and, immediately following the acquisition, charging and allocation of such property, the Issuer will be in compliance with the Asset Cover Test; or
  - (ii) such Charged Cash is to be used for any other purpose permitted by its Rules and, immediately following the withdrawal, the Issuer will be in compliance with the Asset Cover Test.

For these purposes, the Bond Trustee may call for and shall be at liberty to accept a certificate signed by any two Authorised Signatories of the Issuer (including, for the avoidance of doubt, a Compliance Certificate), as sufficient evidence that (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing and/or (b) the requirements of (i) or (ii) above, as the case may be, are met.

## **7. INTEREST**

### **7.1 Interest Rate and Interest Payment Dates**

The Bonds bear interest on their Outstanding Principal Amount from (and including) 4th February, 2014 at the rate of 4.50 per cent. per annum, payable semi-annually in arrear in equal instalments on 4th February and 4th August in each year (each an **Interest Payment Date**), commencing on 4th August, 2014.

### **7.2 Interest Accrual**

Each Bond will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed.

### **7.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to, but excluding,

the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant Outstanding Principal Amount of the Bonds.

## **8. PAYMENTS AND EXCHANGES OF TALONS**

### **8.1 Payments in respect of Bonds, Receipts and Coupons**

Subject as follows, payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond.

Payments of interest on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

Payments of instalments of principal on an Instalment Redemption Date (other than the Instalment Redemption Date falling on the Maturity Date) will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt, in each case at the specified office outside the United States of any of the Paying Agents. Each Receipt must be presented for payment together with the Bond to which it appertains. Receipts presented without the Bond to which they appertain do not constitute valid obligations of the Issuer.

### **8.2 Method of Payment**

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

### **8.3 Missing Unmatured Receipts or Coupons**

Each Bond should be presented for payment together with all relative unmatured Receipts or Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Receipt or Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Receipt or Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Receipt or Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Receipt or Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Receipt or Coupon would have become due but not thereafter.

### **8.4 Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

### **8.5 Payment Day**

If the date for payment of any amount in respect of any Bond, Receipt or Coupon is not a Payment Day the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, **Payment Day** means any day which (subject to Condition 11 (*Prescription*)):

- (a) is, or falls after, the relevant due date;

- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Bond, Receipt or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a Sterling account in London, as referred to above, is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

## 8.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## 8.7 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Bonds are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 8.8 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*); and



- (b) any specific redemption price referred to in Condition 9 (*Redemption and Purchase*) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

## **9. REDEMPTION AND PURCHASE**

### **9.1 Redemption in Instalments**

Unless previously redeemed or purchased and cancelled as specified in these Conditions, the Issuer will redeem the Bonds in 20 equal instalments of £50 per £1,000 in original principal amount on each Interest Payment Date in each year from, and including, 4th August, 2029 to, and including, the Maturity Date (each an **Instalment Redemption Date**).

### **9.2 Early Redemption for Taxation Reasons**

If the Issuer satisfies the Bond Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective after 4th February, 2014, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 10 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their Outstanding Principal Amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 9.2, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders, the Receiptholders and the Couponholders.

### **9.3 Mandatory Early Redemption**

In the event that the Issuer ceases to be a Registered Provider of Social Housing other than as a result of a change in law or regulation which applies generally to all Registered Providers of Social Housing, the Issuer shall promptly give notice thereof to the Bond Trustee and to the Bondholders in accordance with Condition 14 (*Notices*) and shall redeem all the Bonds, but not some only, at their Outstanding Principal Amount together with interest accrued to but excluding the date of redemption, within 180 days of the date of such notice, provided, however, that the Issuer shall no longer be obliged to redeem the Bonds pursuant to this Condition 9.3 if, during such period of 180 days, it regains its status as a Registered Provider of Social Housing (and gives notice of such to the Bond Trustee and to the Bondholders in accordance with Condition 14 (*Notices*)) or the obligation to redeem the Bonds pursuant to this Condition 9.3 is waived by an Extraordinary Resolution.

## 9.4 Early Redemption at the Option of the Issuer

The Issuer may, at any time prior to the Maturity Date, having given:

- (a) not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 14 (*Notices*); and
- (b) notice to the Bond Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Bonds or, subject as provided in Condition 9.5 below, some only (provided, however, that in respect of a redemption in part, such redemption shall be in respect of not less than £5,000,000 in Outstanding Principal Amount of Bonds).

Redemption of the Bonds pursuant to this Condition shall be made at the higher of the following:

- (i) their Outstanding Principal Amount; and
- (ii) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer and the Bond Trustee) which is equal to the Outstanding Principal Amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.2 per cent.,

together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

**Benchmark Gilt** means the 4¼% Treasury Stock 2032 or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

**Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

**Determination Date** means three Business Days prior to the dispatch of the notice referred to in (a) above; and

**Gross Redemption Yield** means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time).

## 9.5 Provisions relating to Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected, in such place as the Bond Trustee may approve and in such manner and at such time as the Bond Trustee may deem

appropriate and fair. Notice of any such selection will be given by the Issuer to the Bondholders as promptly as practicable. Each notice will specify the date fixed for redemption, the early redemption amount and the aggregate Outstanding Principal Amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the Outstanding Principal Amount of the Bonds which will be outstanding after the partial redemption.

## **9.6 Purchases**

The Issuer shall purchase the Retained Bonds on 4th August, 2014 and may at any time purchase Bonds (provided that all unmatured Receipts and Coupons appertaining to the Bonds are purchased with the Bonds) in any manner and at any price.

## **9.7 Cancellations**

All Bonds (other than the Retained Bonds) which are purchased by or on behalf of the Issuer may be held or resold or may be surrendered for cancellation. All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer and surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Receipts and Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

The Issuer (a) shall cancel all Retained Bonds held by or on behalf of the Issuer (i) immediately prior to such Retained Bonds being redeemed on the Maturity Date and (ii) forthwith upon notice that the Bonds are to be redeemed (and, in any event, prior to such redemption) in accordance with Condition 9.2 (*Early Redemption for Taxation Reasons*) or Condition 12 (*Events of Default and Enforcement*); and (iii) on the date falling five years after the Issue Date; (b) shall, forthwith upon notice that the Bonds are to be redeemed in full in accordance with Condition 9.3 (*Mandatory Early Redemption*), cancel all the Retained Bonds held by or on behalf of the Issuer (if any); and (d) may cancel any Bonds (other than Retained Bonds) held by it or on its behalf at any time at its discretion.

## **9.8 Notices Final**

Upon the expiry of any notice as is referred to in Condition 9.2 or 9.4 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such Condition.

## **10. TAXATION**

All payments in respect of the Bonds, Receipts or Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law.

In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders, Receiptholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds, Receipts or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond, Receipt or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Bond, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond, Receipt or Coupon; or

- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 8 (*Payments and Exchanges of Talons*)).

## 11. PRESCRIPTION

The Bonds, Receipts and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds, Receipts or, as the case may be, the Coupons, subject to the provisions of Condition 8 (*Payments and Exchanges of Talons*).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8 (*Payments and Exchanges of Talons*) or any Talon which would be void pursuant to Condition 8 (*Payments and Exchanges of Talons*).

## 12. EVENTS OF DEFAULT AND ENFORCEMENT

### 12.1 Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least twenty five per cent. in Outstanding Principal Amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d) and (k) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice in writing to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their Outstanding Principal Amount, together with accrued interest as provided in the Bond Trust Deed, if any of the following events (each an **Event of Default**) shall occur:

- (a) default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of seven days in the case of principal and fourteen days in the case of interest; or
- (b) the Issuer fails to perform or observe any of its other obligations under, or in respect of, the Conditions (other than in respect of Condition 5.3 (*Asset Cover Covenant*)), the Bond Trust Deed or the Security Trust Deed or if any representation given by the Issuer to the Bond Trustee in the Bond Trust Deed or to the Security Trustee in the Security Trust Deed is found to be untrue, incorrect or misleading as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or

- (c) the Issuer fails to perform or observe its obligations under Conditions 5.3 (*Asset Cover Covenant*) and (except in any case where, in the opinion of the Bond Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (d)
  - (A) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
  - (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
  - (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (A), (B) or (C) above have occurred equals or exceeds £15,000,000 or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or

- (e) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (f) the Issuer ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, a substantial part of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (g) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (h)
  - (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of a receiver, liquidator, manager or other similar official, or a receiver, liquidator, manager or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer; and
  - (B) in any such case (other than the appointment of an administrator (if applicable)) is not discharged within 14 days,

save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or

- (i) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or
- (j) the Issuer makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (k) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Bond Trust Deed or the Security Trust Deed.

## **12.2 Enforcement**

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Receipts, the Coupons and/or any of the other Transaction Documents or otherwise or (in its capacity as Representative) to direct the Security Trustee to take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Security Trust Deed, but it shall not be bound to take any such proceedings or other steps or action in relation to the Bond Trust Deed, the Bonds, the Receipts, the Coupons or any of the other Transaction Documents or otherwise or to direct the Security Trustee, as aforesaid, unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fourth in Outstanding Principal Amount of the Bonds then outstanding and (b) it shall have been secured and/or indemnified and/or prefunded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Receiptholder, Couponholder or any Secured Party (other than the Bond Trustee) shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Receipts the Coupons or any of the other Transaction Documents; (ii) take any steps or action against the Issuer (or direct the Security Trustee to take any steps or action against the Issuer) to enforce the performance of the provisions of the Security Trust Deed; or (iii) take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

## **13. REPLACEMENT OF BONDS, RECEIPTS AND COUPONS**

Should any Bond, Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (subject to all applicable laws and the requirements of the UK Listing Authority or the London Stock Exchange) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as

to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds, Receipts or Coupons must be surrendered before replacements will be issued.

#### **14. NOTICES**

All notices to the Bondholders will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bonds in accordance with this Condition 14 (*Notices*).

#### **15. SUBSTITUTION**

The Bond Trust Deed contains provisions permitting the Bond Trustee to, subject to any required amendment of the Bond Trust Deed, without the consent or sanction of the Bondholders, the Receiptholders or the Couponholders or any Secured Party, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Receipts, the Coupons and the Bond Trust Deed of another company, industrial and provident society or other entity subject to:

- (a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (b) certain other conditions set out in the Bond Trust Deed being complied with.

For the avoidance of doubt, these provisions do not apply to a Permitted Reorganisation, in respect of which the consent of the Bond Trustee shall not be required.

Any such substitution shall be notified to the Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

#### **16. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER**

##### **16.1 Meetings of Bondholders**

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Transaction Documents or the Security Agreements. Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in Outstanding Principal Amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer, which shall be requested in accordance with, and shall be subject to, Condition 5.5(b) (*Information Covenants*)). The quorum at any such meeting for passing an Extraordinary Resolution

is one or more persons holding or representing in aggregate more than 50 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the Outstanding Principal Amount of the Bonds so held or represented, except that at any meeting the business of which includes any matter defined in the Bond Trust Deed as a Basic Terms Modification, including, *inter alia*, modifying the date of payment of any instalment of principal of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds, the Receipts or the Coupons, the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding. The Bond Trust Deed provides that (a) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding or (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Bond Trustee) by or on behalf of the holders of not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and all Couponholders.

## **16.2 Modification, Waiver, Authorisation and Determination**

The Bond Trustee may agree, without the consent of the Bondholders, Receiptholders, Couponholders or any Secured Party, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Bond Trust Deed, or any other Transaction Document or any Security Agreement, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Bond Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven.

## **16.3 Bond Trustee to have regard to interests of Bondholders as a class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders (excluding the Issuer, for long as it holds any Bonds) as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders, Receiptholders or Couponholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Bond Trust Deed.



#### **16.4 Notification to the Bondholders**

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Bondholders, the Receiptholders, the Couponholders and the Secured Parties and, if required by the Bond Trustee, shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

#### **17. INDEMNIFICATION AND PROTECTION OF THE BOND TRUSTEE AND THE SECURITY TRUSTEE AND BOND TRUSTEE AND SECURITY TRUSTEE CONTRACTING WITH THE ISSUER**

The Bond Trust Deed and the Security Trust Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee, respectively, and for their relief from responsibility and liability towards the Issuer, the Bondholders, the Receiptholders, the Couponholders and the Secured Parties, including (a) provisions relieving them from taking action unless secured and/or indemnified and/or prefunded to their satisfaction and (b) provisions limiting or excluding their liability in certain circumstances. The Bond Trustee and the Security Trustee are each exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Security Assets, from any obligation to insure all or any part of the Security Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed and the Security Trust Deed also contain provisions pursuant to which the Bond Trustee and the Security Trustee, respectively, are entitled, *inter alia*, (a) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer or any other Transaction Party or any person or body corporate associated with the Issuer or any Transaction Party and (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer or any Transaction Party or any such person or body corporate so associated.

Neither the Bond Trustee nor the Security Trustee shall be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or the Security Trust Deed, as applicable, or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or prefunded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

Neither the Bond Trustee nor the Security Trustee shall have any responsibility for the validity, sufficiency or enforceability of the Security. Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents or the Security Agreements.

#### **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Bondholders, Receiptholders or the Couponholders to create and issue further bonds having terms and conditions the same (and backed by the same assets) as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a trust deed supplemental to the Bond Trust Deed.

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20. GOVERNING LAW**

### **20.1 Governing Law**

The Bond Trust Deed, the Security Trust Deed, the Security Agreements, the Agency Agreement, the Account Agreement, the Bonds, the Receipts and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

### **20.2 Submission to Jurisdiction**

The Issuer has, in the Bond Trust Deed and the Security Trust Deed, irrevocably agreed for the benefit of the Bond Trustee and the Security Trustee (as applicable), the Bondholders, the Receiptholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons (including a dispute relating to non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Bond Trust Deed and the Security Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee, the Security Trustee, the Bondholders, the Receiptholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds or the Coupons) (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

## CONDITIONS OF THE 2044 BONDS

*The following are the Conditions of the 2044 Bonds which will be endorsed on each 2044 Bond in definitive form (if issued).*

The £50,000,000 5.364 per cent. Secured Bonds due 2044 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise required, include any further bonds issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Bonds) of Southern Housing Group Limited (the **Issuer**) are constituted by a Bond Trust Deed dated 4th February, 2014 (as modified and/or amended and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) made between the Issuer and Prudential Trustee Company Limited (the **Bond Trustee**, which expression shall include any successor(s)) as trustee for the holders of the Bonds (the **Bondholders**), the holders of the principal receipts appertaining to the Bonds (the **Receiptholders** and **Receipts** respectively) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The Bondholders have the benefit of security allocated to them pursuant to a Security Trust Deed dated 4th February, 2014 (as amended and/or supplemented and/or restated from time to time, the **Security Trust Deed**) made between, *inter alios*, the Issuer and Prudential Trustee Company Limited (the **Security Trustee**, which expression shall include any successor(s)).

The Bonds also have the benefit of an Agency Agreement (as modified and/or amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 4th February, 2014 and made between the Issuer, the Bond Trustee, BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Copies of the Bond Trust Deed, the Security Trust Deed, the Security Agreements (as defined below) and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH and at the specified office of each of the Paying Agents. The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of and are entitled to the benefit of, all the provisions of the Bond Trust Deed, the Security Trust Deed, the Security Agreements and the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Bond Trust Deed, which includes the form of the Bonds, and the Security Trust Deed.

### 1. DEFINITIONS

Words and expressions defined in the Bond Trust Deed, the Security Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

**2044 Bond Beneficiaries** means, collectively, the Bondholders and the other Secured Parties;

**2044 Bondholders' Apportioned Part** means (a) for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the number of Units allocated to the 2044 Bond Beneficiaries in relation to the Bonds and the Transaction Documents from time to time on a Numerical Apportionment Basis pursuant to the Security Trust Deed and (b) in the event that the basis of apportionment is changed to Specific Apportionment Basis, the SAB Charged Properties;

**2044 Bondholders' Security Percentage** means (a) for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the 2044 Bondholders' Apportioned Part divided by the total number of Units comprising the NAB Charged Properties (expressed as a percentage) and (b) in the event that the basis of apportionment is changed to Specific Apportionment Basis, 100 per cent.;

**Account Agreement** means the Account Agreement dated 4th February, 2014 and made between the Issuer, the Bond Trustee and the Account Bank, as amended and/or supplemented and/or restated from time to time;

**Account Bank** means BNP Paribas Securities Services, Luxembourg Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

**Appointee** means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Bond Trustee under, or pursuant to, these Conditions or the Bond Trust Deed;

**Apportionment Certificate** means, in relation to the 2044 Bond Beneficiaries, the certificate to the Representative as signed by the Issuer and countersigned by the Security Trustee and the Representative which sets out the number of Units which are allocated in favour of the 2044 Bond Beneficiaries in relation to all monies, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by the Issuer to the 2044 Bond Beneficiaries pursuant to the Bond Trust Deed, the Bonds, the Receipts, the Coupons and the other Transaction Documents, as amended and redelivered from time to time, and which is substantially in the form set out in Schedule 3 to the Security Trust Deed;

**Asset Cover Test** means the financial covenant set out in Condition 5.3 (*Asset Cover Covenant*);

**Authorised Signatory** means, in respect of the Issuer, a board member, the secretary or any senior executive officer of the Issuer;

**Beneficiary** means:

- (a) in respect of the Bonds, the 2044 Bond Beneficiaries; and
- (b) each other entity which accedes to the Security Trust Deed as a beneficiary pursuant to and in accordance with the terms of the Security Trust Deed;

**Charged Account** means an account in the name of the Issuer established pursuant to the Account Agreement which is charged in favour of the Bond Trustee pursuant to the Bond Trust Deed for the benefit of the 2044 Bond Beneficiaries;

**Charged Cash** means, at any time, the aggregate of all amounts standing to the credit of the Charged Account at such time;

**Charged Properties** means, at any time, any property over which the Issuer has granted a valid and effective first priority legal mortgage or fixed charge pursuant to a Security Agreement and which has been allocated for (among others, for so long as the security is apportioned on a Numerical Apportionment Basis) the benefit of the 2044 Bond Beneficiaries pursuant to the Security Trust Deed;

**Compliance Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*) to the Bond Trust Deed setting out, *inter alia*, calculations in respect of the Asset Cover Test;

**Desk Top Valuation** means, in relation to the Charged Properties, a valuation of those properties conducted in accordance with the same methodology as a Full Valuation addressed to, *inter alios*, the Bond Trustee provided by a Valuer on a "desk-top" basis;

**Enforcement Event** means any of the events, howsoever described, specified in a Finance Document (as defined in the Security Trust Deed) as an event upon the occurrence of which any Beneficiary or any group of Beneficiaries (or, in the case of the 2044 Bond Beneficiaries, the Representative) becomes entitled:

- (a) to call for early repayment of all or any of the Secured Liabilities under such Finance Documents; and/or
- (b) to terminate all or any of the transactions entered into pursuant to such Finance Document (but excluding any interest rate arrangement entered into by the relevant Beneficiary to which the Issuer is not a party unless such Beneficiary becomes entitled to terminate the same as a consequence of a default (howsoever described) by the Issuer under the terms of the Finance Document prior to the scheduled maturity thereof); and/or
- (c) to require the Security Trustee to enforce any of the Security Documents constituting such Beneficiary's apportioned security;

**EUV-SH** means a valuation made on the basis of existing use value for social housing ("EUV-SH") as defined by UKVS1.13 Valuations for registered social landlords of the RICS Valuation – Professional Standards January 2014 (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of RICS Valuation Standards) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Security Trustee and a Valuer, and **EUV-SH Charged Properties** shall be construed accordingly;

**Event of Default** has the meaning given to it in Condition 12.1 (*Events of Default*);

**Financial Year** means each 12 month period ending on 31st March;

**Fixtures** means, in relation to any Charged Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer;

**Full Valuation** means, in relation to the Charged Properties or the New Additional Properties, a valuation of those properties addressed to, *inter alios*, the Bond Trustee provided by a Valuer containing such information as is relevant to the portfolio of the Charged Properties or the New Additional Properties, as the case may be, and showing the value of the properties on the basis of EUV-SH and/or MV-ST (to the extent applicable) or, where agreed between the Bond Trustee and the Issuer, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Full Valuation given by such Valuer in respect of such properties;

**Housing and Regeneration Act** means the Housing and Regeneration Act 2008 (as amended from time to time);

**Instalment Redemption Date** has the meaning given to it in Condition 9.1 (*Redemption in Instalments*);

**Insurances** means all contracts and policies of insurance of whatever nature which are from time to time taken out by or with the authority and on behalf of the Issuer in relation to the Charged Property or (to the extent of such interest) in which the Issuer has an interest in relation to the Charged Property;

**Letting Documents** means any lease, tenancy or licence to occupy or any agreement for any of the same from time to time granted or entered into by the Issuer or any predecessor in title of the Issuer (as the case may be) in respect of the Charged Property and any licence, consent or approval given thereunder;

**Maturity Date** means 4th February, 2044, being the final Instalment Redemption Date;

**Minimum Value** means:

$$\left( \frac{A}{105} + \frac{B}{115} \right) \times 100$$

where:

A = the Value of the residential EUV-SH Charged Properties determined on the basis of EUV-SH; and

B = the Value of the residential MV-ST Charged Properties determined on the basis of MV-ST.

For the avoidance of doubt, the Charged Properties shall be treated as EUV-SH Charged Properties for the purpose of determining the Minimum Value unless and until a Value, determined on the basis of MV-ST, is given by a Valuer in respect of such Charged Properties and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of each such Charged Property and, on the basis of which, the Valuer is of the opinion that it may be disposed of by the Issuer on an unfettered basis (meaning subject to any existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use);

**MV-ST** means a valuation made on the basis of the current Market Value as defined by VS 3.2 of the RICS Valuation - Professional Standards January 2014 (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of the RICS Valuation Standards) (effectively, in these circumstances, based on the fact that the properties are subject to existing tenancies but are not restricted to use as social housing let at sub-market rents, and that any Units that become vacant may be sold with vacant possession) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer, the Security Trustee and a Valuer;

**MV-ST Charged Properties** means the Charged Properties accepted as such in accordance with the provisions of the Bond Trust Deed;

**NAB Beneficiaries** means each Beneficiary which has been allocated Charged Properties pursuant to the Security Trust Deed on a Numerical Apportionment Basis;

**NAB Charged Properties** means the aggregate number of Units comprising the Charged Properties which have been apportioned to the 2044 Bond Beneficiaries pursuant to the Security Trust Deed on a Numerical Apportionment Basis;

**New Additional Properties** has the meaning given to it in Condition 6.1 (*Addition of New Charged Properties*);

**New Property Approval Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 6 (*Form of New Property Approval Certificate*) to the Bond Trust Deed;

**Numerical Apportionment Basis** has the meaning given to it in the Security Trust Deed;

**Outstanding Principal Amount** means, in respect of each Bond, its paid up principal amount as reduced from time to time pursuant to Condition 9.1 (*Redemption in Instalments*) and **Outstanding Principal Amount of the Bonds** shall be construed accordingly;

**Permitted Reorganisation** means any amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of the Issuer's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Industrial and Provident Societies Act 1965) made between the Issuer (**Party A**) and any other entity (**Party B**) provided that (a) any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing; (b) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in such Party B or new amalgamated entity, Party B or such new amalgamated entity, as the case may be, will thereafter be responsible for all the liabilities of Party A pursuant to the Industrial & Provident Societies Act 1965; and (c) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Bond Trustee;

**Potential Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the forming of an opinion and/or the fulfilment of any similar condition, would constitute an Event of Default;

**Property Release Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 7 (*Form of Property Release/Reallocation Certificate*) to the Bond Trust Deed;

**Property Security** has the meaning given to it in Condition 4 (*Security*);

**Registered Provider of Social Housing** means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act or any replacement or successor legislation thereto or a person having a status which, in the opinion of the Issuer and the Bond Trustee is substantially equivalent under any replacement or successor legislation;

**Regulator** means the Regulation Committee of the Homes and Communities Agency constituted pursuant to the Housing and Regeneration Act, as amended by the Localism Act 2011, or any similar future authority or authorities carrying on substantially the same regulatory and/or supervisory functions;

**Relevant Date** means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*);

**Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds, Receipts or Coupons;

**Representative** means the Bond Trustee in its capacity as Representative for the 2044 Bond Beneficiaries pursuant to the Security Trust Deed;

**Right to Buy** means the right of a tenant of a property:

- (a) to buy that property from the Issuer under section 180 of the Housing and Regeneration Act or under Part V of the Housing Act 1985 (or any similar right replacing those rights) or under any

contract conferring such a right and including, without limitation, such rights preserved notwithstanding any previous transfers of that property to the Issuer from any local authority;

- (b) to acquire an interest in that property from the Issuer by means of a shared-ownership lease where the terms of any such lease comply with the regulatory requirements of the Regulator or have been approved by the Issuer; or
- (c) to buy or acquire an interest in that property from the Issuer under any voluntary scheme approved by the Issuer;

**Rules** means the rules of the Issuer, as amended from time to time;

**SAB Charged Properties** means the aggregate number of Units comprising the Charged Properties which have been apportioned to the 2044 Bond Beneficiaries pursuant to the Security Trust Deed on a Specific Apportionment Basis;

**Secured Parties** means the Bond Trustee (for itself and on behalf of the Bondholders, the Receiptholders and Couponholders), the Principal Paying Agent, the other Paying Agents and the Account Bank;

**Security** has the meaning given to it in Condition 4 (*Security*);

**Security Assets** has the meaning given to it in Condition 4 (*Security*);

**Security Agreement** means (a) the Security Agreement dated 4th February, 2014 between the Issuer and the Security Trustee pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Receipts, the Coupons and the other Transaction Documents and (b) any additional agreement entered into between the Issuer and the Security Trustee substantially in the form set out in the Security Trust Deed pursuant to which the Issuer provides security in respect of its obligations under the Bonds, the Receipts, the Coupons and the other Transaction Documents;

**Security Documents** means the Security Trust Deed and each Security Agreement;

**Shared Ownership Property** means any property acquired by the Issuer then being occupied on shared ownership terms or in respect of which the Issuer grants a lease on shared ownership terms so that the Issuer holds, or is intending to hold upon disposal on shared ownership terms, less than 100 per cent. of the beneficial (or heritable) interest in that property and the purchaser of the balance of that beneficial (or heritable) interest has the right to acquire a further portion of the Issuer's retained beneficial (or heritable) interest;

**Shared Ownership Sale** means the disposal of the whole or any interest in a Unit of residential accommodation by the Issuer (or of the retained interest of the Issuer in any Unit of residential accommodation) which, immediately before the disposal, was comprised in a Shared Ownership Property;

**Social HomeBuy** has the meaning given to that term in the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006;

**Specific Apportionment Basis** has the meaning given to it in the Security Trust Deed;

**Statutory Disposal** means a Shared Ownership Sale, the exercise of a Right to Buy, a Social HomeBuy disposal or any other disposal of a Charged Property where it is required that some or all of the relevant disposal proceeds be credited to the disposal proceeds fund (as defined in section 177 of the Housing and Regeneration Act) of the Issuer;



**Statutory Disposal Certificate** means a certificate, signed by two Authorised Signatories of the Issuer, substantially in the form set out in Schedule 8 (*Form of Statutory Disposal Certificate*) to the Bond Trust Deed;

**Taxes** has the meaning given to it in Condition 10 (*Taxation*);

**Transaction Documents** means the Bond Trust Deed, the Security Trust Deed, the Agency Agreement and the Account Agreement;

**Transaction Party** means any person who is a party to a Transaction Document;

**UK Government Gilt** means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury;

**Unit** means, at any time, a Charged Property or part thereof in relation to which there is or, when let, there would be, a separate rental contract entered into with the Issuer and **Units** means all such Charged Properties or parts thereof;

**Valuation** means a Full Valuation or Desk Top Valuation;

**Value** means, at any time and in relation to the Charged Properties, the value of those properties as shown in the then latest Full Valuation or Desk Top Valuation on the basis of EUV-SH or, as the case may be, MV-ST (provided that if any Charged Property or part thereof is sold pursuant to a Right to Buy, the Value of the relevant Charged Property shall, for the purposes of this definition and with effect from the date of the relevant sale or release, be zero (if the entire relevant Charged Property has been sold) or (if only part of the Issuer's interest in the relevant Charged Property has been sold) shall be the proportion of the value of the Charged Property which has not been sold pursuant to the relevant Right to Buy); and

**Valuer** means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the Royal Institute of Chartered Surveyors as may be appointed by the Issuer or the Bond Trustee from time to time.

## **2. FORM, DENOMINATION AND TITLE**

The Bonds are in bearer form, serially numbered, with Receipts, Coupons and Talons attached on issue. The Bonds shall be issued in the denomination of £[5,000,000][100,000]<sup>1</sup> and integral multiples of £1,000 in excess thereof up to and including £[9,999,000][199,000]<sup>2</sup> and no Bonds will be issued with a denomination above £[9,999,000][199,000]<sup>3</sup>.

Title to the Bonds, Receipts and Coupons will pass by delivery.

The Issuer, any Paying Agent and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

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<sup>1</sup> The former will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond prior to the Final Instalment Payment Date. The latter will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond on or following the Final Instalment Payment Date.

<sup>2</sup> The former will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond prior to the Final Instalment Payment Date. The latter will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond on or following the Final Instalment Payment Date.

<sup>3</sup> The former will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond prior to the Final Instalment Payment Date. The latter will be inserted in respect of definitive Bonds issued in exchange for interests in a Global Bond on or following the Final Instalment Payment Date.

### 3. STATUS

The Bonds, Receipts and the Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (*Security*), and rank *pari passu* without any preference or priority amongst themselves.

### 4. SECURITY

#### 4.1 Security

- (a) Subject to Condition 4.1(b), the Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions, the Bond Trust Deed and the Security Documents) pursuant to each Security Agreement in favour of the Security Trustee for the benefit of itself and the 2044 Bond Beneficiaries as follows:
  - (i) by way of first fixed legal mortgage over the Charged Properties specified therein together with all buildings and Fixtures, erections and structures thereon or in the course of construction thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered into by any predecessor in title of the Issuer and any monies paid or payable in respect of such covenants;
  - (ii) by way of first fixed charge over:
    - (A) all fixed plant and machinery now or in the future owned by the Issuer and its interest in any fixed plant or machinery in its possession, in each case which form part of the Charged Property;
    - (B) all benefits in respect of the Insurances and all claims and returns of premiums in respect of the Charged Property;
    - (C) the benefit of all present and future licenses, consents and authorisations (statutory or otherwise) held in connection with the Security Assets specified therein and the use of any of the Security Assets specified therein and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and
    - (D) if and in so far as the legal mortgage set forth in paragraph (a) above or the assignments set out in paragraph (c) below shall for any reason be ineffective as legal mortgages or assignments, the assets referred to therein; and
  - (iii) by an assignment by way of security of the Issuer's rights, title and interest in and to:
    - (A) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all security held by the Issuer from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or which may become due and owing to the Issuer or which may become due and owing to the Issuer at any time in the future in connection therewith);
    - (B) all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of the whole or any part of the Security Assets specified therein (including, without limitation the generality of the foregoing, all moneys due and owing to the Issuer or which may

become due and owing to the Issuer at any time in the future in connection therewith);

- (C) all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future so as to enable the Issuer to perfect its rights under each such agreement, contract, deed, licence, undertaking, guarantee, covenant, warranty, representation or other document) entered into by or given to the Issuer in respect of the Charged Properties and all claims, remedies, awards or judgments paid or payable to the Issuer (including, without limitation, all liquidated and ascertained damages payable to the Issuer under the above) in each case relating to the Charged Properties;
- (D) all licences held now or in the future in connection with any Charged Properties and also the right to recover and receive all compensation which may at any time become payable to the Issuer in relation to each Charged Property;
- (E) all rights and claims to which the Issuer is now or may hereafter become entitled in relation to any development, construction project, redevelopment, refurbishment, repair or improvement of or on each Charged Property;
- (F) all guarantees, warranties, bonds and representations given or made or which may be given or made by and any rights or remedies against all or any of the designers, builders, contractors, surveyors, valuers, professional advisers, sub-contractors, manufacturers, suppliers and installers of any Fixtures in respect of each Charged Property; and
- (G) all rental income and disposal proceeds unless already assigned pursuant to (A), (B) or (C) above in each case relating to the Charged Properties specified therein and the right to make demand for and receive the same,

provided always that, unless and until an Enforcement Event has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements and covenants referred to in paragraphs (A) to (G) above, and provided further that the Bond Trustee shall not give, or require the Issuer to give, any notice of assignment contained in this paragraph (iii) to any person unless and until an Enforcement Event has occurred and is continuing.

The security created pursuant to the Security Documents referred to above, and/or any deed or document supplemental thereto (being the security which has been allocated for the benefit of the 2044 Bond Beneficiaries), is referred to herein as the **Property Security**.

- (b) The security created pursuant to the Security Agreements will be apportioned to the 2044 Bond Beneficiaries on a Numerical Apportionment Basis, in accordance with and subject to the terms of the Security Trust Deed, such that a specific number of Units of the NAB Charged Properties will be allocated to the 2044 Bond Beneficiaries.

The basis of apportionment may only be changed to Specific Apportionment Basis in the limited circumstances, and in accordance with the procedures, specified in the Security Trust Deed. In particular, the basis of the Bondholders' apportionment may only be changed upon the request of the Bond Trustee or each of the other NAB Beneficiaries upon the security

under the Security Documents in respect of the NAB Charged Properties becoming enforceable.

For so long as the Property Security is apportioned on a Numerical Apportionment Basis, all references to the Charged Properties in these Conditions shall, for the avoidance of doubt, be a reference to the NAB Charged Properties. In the event that the basis of apportionment is changed to Specific Apportionment Basis, all references to the Charged Properties in these Conditions shall, for the avoidance of doubt, be a reference to the SAB Charged Properties.

- (c) The Issuer's obligations in respect of the Bonds are also secured (subject as provided in these Conditions and the Bond Trust Deed) pursuant to the Bond Trust Deed in favour of the Bond Trustee for the benefit of itself and the 2044 Bond Beneficiaries as follows:
- (i) by charges by way of a first ranking pledge governed by Luxembourg law and a second ranking fixed charge over all moneys from time to time standing to the credit of the Charged Account and all debts represented thereby;
  - (ii) by an assignment by way of security of the Issuer's rights, title and interest arising under the Agency Agreement and the Account Agreement, in each case to the extent they relate to the Bonds; and
  - (iii) by a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds,

provided always that, unless and until an Event of Default has occurred and is continuing (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all its rights and claims under or in connection with the agreements referred to in paragraph (ii) above.

- (d) The property charged and assigned pursuant to both the Security Documents and the Bond Trust Deed referred to above, together with any other property or assets held by and/or assigned to the Security Trustee (and allocated for the benefit of the 2044 Bond Beneficiaries) or the Bond Trustee and/or any deed or document supplemental thereto, is referred to herein as the **Security Assets** and the security created thereby (including, for the avoidance of doubt, the Property Security) is referred to herein as the **Security**.

## 4.2 Post-enforcement

Following the enforcement of the Property Security, the net proceeds of enforcement of the Property Security shall be applied in the following order of priority:

- (a) first, in or towards payment of all remuneration, costs, charges, expenses and liabilities of the Security Trustee and any receiver, attorney or agent in connection with the performance of its duties and exercise of its discretion under the Security Documents, including any repairs, maintenance, management or servicing of the Charged Properties; and
- (b) second, towards payment to the Bond Trustee, in its capacity as Representative (and, for so long as the Property Security is apportioned on a Numerical Apportionment Basis, the other NAB Beneficiaries on a *pari passu* basis by reference to their apportioned parts) for application as set out below.

Following the enforcement of the Security, all monies standing to the credit of the Charged Account and the net proceeds of enforcement of the Security (in respect of the Property Security, following application as set out above) shall be applied in the following order of priority:

- (a) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Bond Trustee, any Appointee or any receiver in preparing and executing the trusts under the Bond Trust Deed (including the costs of realising the Security and the Bond Trustee's and such receiver's remuneration);
- (b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement and the Account Bank under the Account Agreement on a *pro rata* and *pari passu* basis;
- (c) third, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (d) fourth, in payment on a *pro rata* and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds; and
- (e) fifth, in payment of the surplus (if any) to the Issuer or any other person entitled thereto.

## **5. COVENANTS**

### **5.1 General Covenant**

The Issuer covenants to comply with its various undertakings set out in the Bond Trust Deed and the Security Trust Deed including, but not limited to, undertakings as to the maintenance of the Charged Properties.

### **5.2 Negative Pledge and Disposals**

The Issuer covenants, for so long as any of the Bonds remain outstanding, save as expressly permitted by the Bond Trust Deed and/or the Security Trust Deed, not to create or permit to subsist, over any of the Security Assets, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the Security, excluding, for this purpose any security interest created by operation of law.

The Issuer also covenants that it shall not, save as expressly permitted by the Bond Trust Deed and/or the Security Trust Deed, sell, transfer, grant or lease or otherwise dispose of all or any part of the Security Assets without the prior written consent of the Bond Trustee (other than the grant of lettings with tenancy agreements in the form of an Approved Tenancy Agreement or on terms which confer no fewer material rights on the Issuer as the lessor or licensor and impose no material obligations on the Issuer additional to those set out in an Approved Tenancy Agreement).

### **5.3 Asset Cover Covenant**

The Issuer covenants, for so long as any of the Bonds remain outstanding, that it shall at all times ensure that the sum of:

- (a) the Minimum Value of the Charged Properties multiplied by the 2044 Bondholders' Security Percentage; and
- (b) the Charged Cash,

will not be less than the Outstanding Principal Amount of the Bonds.

### **5.4 Valuations**

The Issuer covenants, for so long as any of the Bonds remain outstanding, that:

- (a) it shall deliver a Full Valuation to the Bond Trustee at least once in every period of five calendar years (beginning in 2019) and, unless the Bond Trustee agrees otherwise, such Full

Valuation must be delivered in the period between 31st March and the date falling 60 days thereafter in each year that such Full Valuation is required to be delivered; and

- (b) it shall deliver to the Bond Trustee a Desk Top Valuation in the period between 31st March and the date falling 120 days thereafter in each year (beginning in 2015) other than a year in respect of which a Full Valuation is required to be delivered pursuant to paragraph (a) above.

Each Valuation shall set out in reasonable detail the Value of the Charged Properties as at a date no more than 90 days prior to the date of delivery of the Valuation.

## **5.5 Information Covenants**

For so long as any of the Bonds remain outstanding, the Issuer shall:

- (a) send to the Bond Trustee, not later than 180 days after the end of each Financial Year, a copy of its consolidated audited financial statements and a copy of the Compliance Certificate in respect of such Financial Year and, upon request by any Bondholder to the Issuer, make the same available to such Bondholder at the Issuer's registered office during normal business hours; and
- (b) at the request of Bondholders holding not less than 33 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to this Condition 5.5(b) more than once in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 14 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding its financial position raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 5.5(b) are in addition to the meetings provisions set out in Condition 16 (*Meetings of Bondholders, Modification and Waiver*).

## **6. ADDITION AND RELEASE OF CHARGED PROPERTIES, APPORTIONMENT AND CHARGED CASH**

### **6.1 Addition of New Charged Properties**

The Issuer may charge additional properties pursuant to the Security Documents and allocate such additional properties as Charged Properties (the **New Additional Properties**) for the benefit of the 2044 Bond Beneficiaries (and the Bond Trustee in its capacity as Representative shall consent (without requiring the consent or sanction of the Bondholders or any other Secured Party) to such charging and allocation and execute an amended Apportionment Certificate to reflect the same) subject to:

- (a) the delivery by the Issuer to the Security Trustee of the condition precedent documents specified in Schedule 2 to the Security Trust Deed in a form satisfactory to the Security Trustee in respect of the charging of such New Additional Properties; and
- (b) the delivery by the Issuer to the Bond Trustee of:
  - (i) a completed New Property Approval Certificate certifying that, *inter alia*, the New Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing; and

- (ii) a Full Valuation in relation to the New Additional Properties prepared by the Valuer dated no earlier than three months prior to the date on which the New Additional Properties are to be charged.

## **6.2 Release and/or reallocation of Charged Properties**

The Issuer may release (and reallocate, if applicable) any one or more of the Charged Properties from the Security and the Bond Trustee (in its capacity as Representative) shall agree (without requiring the consent or sanction of the Bondholders or any other Secured Party) to such release (and reallocation, if applicable), provided that, if such release would require an adjustment to the 2044 Bondholders' Apportioned Part, the Issuer delivers to the Bond Trustee a completed Property Release Certificate, certifying that the Issuer is (as at the date of the Property Release Certificate) in compliance with the Asset Cover Test, that, immediately following such release, the Issuer will be in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing.

## **6.3 Statutory Disposals**

The Issuer shall have the right to withdraw Charged Properties from the Security pursuant to any Statutory Disposal without the need for the consent of the Security Trustee or the Bond Trustee (in its capacity as Representative) provided that, if such release would require an adjustment to the 2044 Bondholders' Apportioned Part, the Issuer shall deliver to the Bond Trustee as soon as reasonably practicable after the Issuer has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal.

Without prejudice to the aforementioned right to withdraw Charged Properties from the Security pursuant to any Statutory Disposal, the Issuer covenants that, if following such withdrawal the Issuer will no longer be in compliance with the Asset Cover Test, it shall, as soon as practicable thereafter (and, in any event, prior to the expiry of the applicable grace period in Condition 12.1(c)), charge and/or allocate additional properties as Charged Properties pursuant to Condition 6.1 (*Addition of New Charged Properties*) and/or deposit money into the Charged Account pursuant to Condition 6.5 (*Charged Cash*) in an aggregate amount sufficient to ensure that the Issuer will be in compliance with the Asset Cover Test.

## **6.4 Apportionment**

Without prejudice to the other provisions of this Condition 6, the Bond Trustee shall agree (and shall be deemed to have confirmed to the Security Trustee under the Security Trust Deed its agreement) to any adjustment of the 2044 Bondholders' Apportioned Part provided that the Issuer would continue to be in compliance with the Asset Cover Test immediately after such adjustment.

## **6.5 Charged Cash**

The Issuer may, at any time, deposit money into the Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if:

- (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing; and
- (b) either:
  - (i) such Charged Cash is to be applied by the Issuer in the acquisition of a property which is to be charged pursuant to the Security Documents and allocated for the benefit of the 2044 Bond Beneficiaries and, immediately following the acquisition, charging

and allocation of such property, the Issuer will be in compliance with the Asset Cover Test; or

- (ii) such Charged Cash is to be used for any other purpose permitted by its Rules and, immediately following the withdrawal, the Issuer will be in compliance with the Asset Cover Test.

For these purposes, the Bond Trustee may call for and shall be at liberty to accept a certificate signed by any two Authorised Signatories of the Issuer (including, for the avoidance of doubt, a Compliance Certificate), as sufficient evidence that (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and that no Event of Default of Potential Event of Default has occurred and is continuing and/or (b) the requirements of (i) or (ii) above, as the case may be, are met.

## **7. INTEREST**

### **7.1 Interest Rate and Interest Payment Dates**

The Bonds bear interest on their Outstanding Principal Amount from (and including) 4th February, 2014 at the rate of 5.364 per cent. per annum, payable semi-annually in arrear in equal instalments on 4th February and 4th August in each year (each an **Interest Payment Date**), commencing on 4th August, 2014.

### **7.2 Interest Accrual**

Each Bond will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed.

### **7.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to, but excluding, the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant Outstanding Principal Amount of the Bonds.

## **8. PAYMENTS AND EXCHANGES OF TALONS**

### **8.1 Payments in respect of Bonds, Receipts and Coupons**

Subject as follows, payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond.

Payments of interest on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

Payments of instalments of principal on an Instalment Redemption Date (other than the Instalment Redemption Date falling on the Maturity Date) will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt, in each case at the specified office outside the United States of any of the Paying Agents. Each Receipt must be presented for payment together with the Bond to which it appertains. Receipts presented without the Bond to which they appertain do not constitute valid obligations of the Issuer.



## 8.2 Method of Payment

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

## 8.3 Missing Unmatured Receipts or Coupons

Each Bond should be presented for payment together with all relative unmatured Receipts or Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Receipt or Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Receipt or Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Receipt or Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Receipt or Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Receipt or Coupon would have become due but not thereafter.

## 8.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

## 8.5 Payment Day

If the date for payment of any amount in respect of any Bond, Receipt or Coupon is not a Payment Day the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, **Payment Day** means any day which (subject to Condition 11 (*Prescription*)):

- (a) is, or falls after, the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Bond, Receipt or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a Sterling account in London, as referred to above, is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

## 8.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## 8.7 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Bonds are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 8.8 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*); and
- (b) any specific redemption price referred to in Condition 9 (*Redemption and Purchase*) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

## 9. REDEMPTION AND PURCHASE

### 9.1 Redemption in Instalments

Unless previously redeemed or purchased and cancelled as specified in these Conditions, the Issuer will redeem the Bonds in 20 equal instalments of £50 per £1,000 in original principal amount on each Interest Payment Date in each year from, and including, 4th August, 2034 to, and including, the Maturity Date (each an **Instalment Redemption Date**).

## **9.2 Early Redemption for Taxation Reasons**

If the Issuer satisfies the Bond Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective after 4th August, 2014, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 10 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their Outstanding Principal Amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 9.2, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders, the Receipholders and the Couponholders.

## **9.3 Mandatory Early Redemption**

In the event that the Issuer ceases to be a Registered Provider of Social Housing other than as a result of a change in law or regulation which applies generally to all Registered Providers of Social Housing, the Issuer shall promptly give notice thereof to the Bond Trustee and to the Bondholders in accordance with Condition 14 (*Notices*) and shall redeem all the Bonds, but not some only, at their Outstanding Principal Amount together with interest accrued to but excluding the date of redemption, within 180 days of the date of such notice, provided, however, that the Issuer shall no longer be obliged to redeem the Bonds pursuant to this Condition 9.3 if, during such period of 180 days, it regains its status as a Registered Provider of Social Housing (and gives notice of such to the Bond Trustee and to the Bondholders in accordance with Condition 14 (*Notices*)) or the obligation to redeem the Bonds pursuant to this Condition 9.3 is waived by an Extraordinary Resolution.

## **9.4 Early Redemption at the Option of the Issuer**

The Issuer may, at any time prior to the Maturity Date, having given:

- (a) not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 14 (*Notices*); and
- (b) notice to the Bond Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Bonds or, subject as provided in Condition 9.5 below, some only (provided, however, that in respect of a redemption in part, such redemption shall be in respect of not less than £5,000,000 in Outstanding Principal Amount of Bonds).

Redemption of the Bonds pursuant to this Condition shall be made at the higher of the following:

- (i) their Outstanding Principal Amount; and
- (ii) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer and the Bond Trustee) which is equal to the Outstanding Principal Amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.2 per cent.,

together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

**Benchmark Gilt** means the 4¾% Treasury Stock 2038 or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

**Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

**Determination Date** means three Business Days prior to the dispatch of the notice referred to in (a) above; and

**Gross Redemption Yield** means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time).

## 9.5 Provisions relating to Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected, in such place as the Bond Trustee may approve and in such manner and at such time as the Bond Trustee may deem appropriate and fair. Notice of any such selection will be given by the Issuer to the Bondholders as promptly as practicable. Each notice will specify the date fixed for redemption, the early redemption amount and the aggregate Outstanding Principal Amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the Outstanding Principal Amount of the Bonds which will be outstanding after the partial redemption.

## 9.6 Purchases

The Issuer and may at any time purchase Bonds (provided that all unmatured Receipts and Coupons appertaining to the Bonds are purchased with the Bonds) in any manner and at any price.

## 9.7 Cancellations

All Bonds which are purchased by or on behalf of the Issuer may be held or resold or may be surrendered for cancellation. All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer and surrendered for cancellation will forthwith be cancelled, together with all relative

unmatured Receipts and Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

#### **9.8 Notices Final**

Upon the expiry of any notice as is referred to in Condition 9.2 or 9.4 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such Condition.

### **10. TAXATION**

All payments in respect of the Bonds, Receipts or Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law.

In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders, Receiptholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds, Receipts or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond, Receipt or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Bond, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond, Receipt or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 8 (*Payments and Exchanges of Talons*)).

### **11. PRESCRIPTION**

The Bonds, Receipts and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds, Receipts or, as the case may be, the Coupons, subject to the provisions of Condition 8 (*Payments and Exchanges of Talons*).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8 (*Payments and Exchanges of Talons*) or any Talon which would be void pursuant to Condition 8 (*Payments and Exchanges of Talons*).

## 12. EVENTS OF DEFAULT AND ENFORCEMENT

### 12.1 Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least twenty five per cent. in Outstanding Principal Amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d) and (k) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice in writing to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their Outstanding Principal Amount, together with accrued interest as provided in the Bond Trust Deed, if any of the following events (each an **Event of Default**) shall occur:

- (a) default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of seven days in the case of principal and fourteen days in the case of interest; or
- (b) the Issuer fails to perform or observe any of its other obligations under, or in respect of, the Conditions (other than in respect of Condition 5.3 (*Asset Cover Covenant*)), the Bond Trust Deed or the Security Trust Deed or if any representation given by the Issuer to the Bond Trustee in the Bond Trust Deed or to the Security Trustee in the Security Trust Deed is found to be untrue, incorrect or misleading as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the Issuer fails to perform or observe its obligations under Conditions 5.3 (*Asset Cover Covenant*) and (except in any case where, in the opinion of the Bond Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (d)
  - (A) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
  - (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
  - (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (A), (B) or (C) above have occurred equals or exceeds £15,000,000 or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or

- (e) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or

- (f) the Issuer ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, a substantial part of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (g) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (h) (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of a receiver, liquidator, manager or other similar official, or a receiver, liquidator, manager or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer; and
  - (B) in any such case (other than the appointment of an administrator (if applicable)) is not discharged within 14 days,
 save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (i) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or
- (j) the Issuer makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution or for the purposes of a Permitted Reorganisation; or
- (k) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Bond Trust Deed or the Security Trust Deed.

## 12.2 Enforcement

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Receipts, the Coupons and/or any of the other Transaction Documents or otherwise or (in its capacity as Representative) to direct the Security Trustee to take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Security Trust Deed, but it shall not be bound to take any such proceedings or other steps or action in relation to the Bond Trust Deed, the Bonds, the Receipts, the Coupons or any of the other Transaction Documents or otherwise or to direct the Security Trustee, as aforesaid, unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fourth in Outstanding Principal Amount of the

Bonds then outstanding and (b) it shall have been secured and/or indemnified and/or prefunded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Receiptholder, Couponholder or any Secured Party (other than the Bond Trustee) shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Receipts the Coupons or any of the other Transaction Documents; (ii) take any steps or action against the Issuer (or direct the Security Trustee to take any steps or action against the Issuer) to enforce the performance of the provisions of the Security Trust Deed; or (iii) take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

### **13. REPLACEMENT OF BONDS, RECEIPTS AND COUPONS**

Should any Bond, Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (subject to all applicable laws and the requirements of the UK Listing Authority or the London Stock Exchange) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds, Receipts or Coupons must be surrendered before replacements will be issued.

### **14. NOTICES**

All notices to the Bondholders will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bonds in accordance with this Condition 14 (*Notices*).

### **15. SUBSTITUTION**

The Bond Trust Deed contains provisions permitting the Bond Trustee to, subject to any required amendment of the Bond Trust Deed, without the consent or sanction of the Bondholders, the Receiptholders or the Couponholders or any Secured Party, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the



Bonds, the Receipts, the Coupons and the Bond Trust Deed of another company, industrial and provident society or other entity subject to:

- (a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (b) certain other conditions set out in the Bond Trust Deed being complied with.

For the avoidance of doubt, these provisions do not apply to a Permitted Reorganisation, in respect of which the consent of the Bond Trustee shall not be required.

Any such substitution shall be notified to the Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

## **16. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER**

### **16.1 Meetings of Bondholders**

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Transaction Documents or the Security Agreements. Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in Outstanding Principal Amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer, which shall be requested in accordance with, and shall be subject to, Condition 5.5(b) (*Information Covenants*)). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate more than 50 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the Outstanding Principal Amount of the Bonds so held or represented, except that at any meeting the business of which includes any matter defined in the Bond Trust Deed as a Basic Terms Modification, including, *inter alia*, modifying the date of payment of any instalment of principal of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds, the Receipts or the Coupons, the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding. The Bond Trust Deed provides that (a) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding or (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Bond Trustee) by or on behalf of the holders of not less than 75 per cent. in Outstanding Principal Amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and all Couponholders.

### **16.2 Modification, Waiver, Authorisation and Determination**

The Bond Trustee may agree, without the consent of the Bondholders, Receiptholders, Couponholders or any Secured Party, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver

or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Bond Trust Deed, or any other Transaction Document or any Security Agreement, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Bond Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Bond Trustee, proven.

### **16.3 Bond Trustee to have regard to interests of Bondholders as a class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders (excluding the Issuer, for long as it holds any Bonds) as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders, Receiptholders or Couponholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Bond Trust Deed.

### **16.4 Notification to the Bondholders**

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Bondholders, the Receiptholders, the Couponholders and the Secured Parties and, if required by the Bond Trustee, shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

## **17. INDEMNIFICATION AND PROTECTION OF THE BOND TRUSTEE AND THE SECURITY TRUSTEE AND BOND TRUSTEE AND SECURITY TRUSTEE CONTRACTING WITH THE ISSUER**

The Bond Trust Deed and the Security Trust Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee, respectively, and for their relief from responsibility and liability towards the Issuer, the Bondholders, the Receiptholders, the Couponholders and the Secured Parties, including (a) provisions relieving them from taking action unless secured and/or indemnified and/or prefunded to their satisfaction and (b) provisions limiting or excluding their liability in certain circumstances. The Bond Trustee and the Security Trustee are each exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Security Assets, from any obligation to insure all or any part of the Security Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed and the Security Trust Deed also contain provisions pursuant to which the Bond Trustee and the Security Trustee, respectively, are entitled, *inter alia*, (a) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer or any other Transaction Party or any person or body corporate associated with the Issuer or any Transaction Party and (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer or any Transaction Party or any such person or body corporate so

associated or any other office of profit under the Issuer or any Transaction Party or any such person or body corporate so associated.

Neither the Bond Trustee nor the Security Trustee shall be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or the Security Trust Deed, as applicable, or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or prefunded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

Neither the Bond Trustee nor the Security Trustee shall have any responsibility for the validity, sufficiency or enforceability of the Security. Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents or the Security Agreements.

## **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Bondholders, Receiptholders or the Couponholders to create and issue further bonds having terms and conditions the same (and backed by the same assets) as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a trust deed supplemental to the Bond Trust Deed.

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20. GOVERNING LAW**

### **20.1 Governing Law**

The Bond Trust Deed, the Security Trust Deed, the Security Agreements, the Agency Agreement, the Account Agreement, the Bonds, the Receipts and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

### **20.2 Submission to Jurisdiction**

The Issuer has, in the Bond Trust Deed and the Security Trust Deed, irrevocably agreed for the benefit of the Bond Trustee and the Security Trustee (as applicable), the Bondholders, the Receiptholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons (including a dispute relating to non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Bond Trust Deed and the Security Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee, the Security Trustee, the Bondholders, the Receiptholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds, the Receipts or the Coupons respectively (including any suit, action or proceedings

relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Trust Deed, the Bonds or the Coupons) (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

## FORM OF THE BONDS AND SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

### Form of the Bonds

#### *Form, Exchange and Payments*

The Bonds will be in bearer new global note (NGN) form. The 2039 Bonds and the 2044 Bonds will each be initially issued in the form of a temporary global bond (the **2039 Temporary Global Bond** and the **2044 Temporary Global Bond**, respectively, and, together the **Temporary Global Bonds**). The Temporary Global Bonds will be delivered on or prior to the issue date of the Bonds to a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Bondholders should note that the European Central Bank has applied a temporary extension of Eurosystem eligibility to Sterling denominated securities. However, should this extension cease at any time during the life of the Bonds, the Bonds will not be in a form which can be recognised as eligible collateral.

Whilst the 2039 Bonds or the 2044 Bonds are represented by their respective Temporary Global Bond, payments of principal, interest (if any) and any other amount payable in respect of such Bonds due prior to the Exchange Date (as defined below) will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the respective Temporary Global Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after each Temporary Global Bond is issued, interests in the 2039 Temporary Global Bond and interests in the 2044 Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein for interests recorded in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in a permanent global bond (the **2039 Permanent Global Bond** and the **2044 Permanent Global Bond**, respectively, and, together, the **Permanent Global Bonds** and, together with the Temporary Global Bonds, the **Global Bonds**), against certification of beneficial ownership as described above unless such certification has already been given. The holder of the Temporary Global Bonds will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the relevant Temporary Global Bond for an interest in the relevant Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Bonds will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

On each occasion of a payment in respect of a Global Bond the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The Permanent Global Bonds will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with principal receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 12.1 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or

have in fact done so and no successor clearing system satisfactory to the Bond Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the relevant Permanent Global Bond in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

### ***Legend concerning United States persons***

The following legend will appear on all Bonds, principal receipts and interest coupons relating to the Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on the Bonds, principal receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of the Bonds, principal receipts or interest coupons.

### **Summary of Provisions relating to the Bonds while in Global Form**

#### ***Denominations***

The 2039 Bonds will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The 2044 Bonds will initially be issued in denominations of £5,000,000 and integral multiples of £1,000 in excess thereof. However, provided the 2044 Bonds continue to be represented by one or more Global Bonds on the Final Instalment Payment Date, on and following the Final Instalment Payment Date the 2044 Bonds will be automatically redenominated and transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

If definitive 2044 Bonds are issued in exchange of the relevant Global Bond(s) prior to the Final Instalment Payment Date, they will be issued in denominations of £5,000,000 plus integral multiples of £1,000 in excess thereof. If definitive 2044 Bonds are issued in exchange of the relevant Global Bond(s) on or after the Final Instalment Payment Date, they will be issued in denominations of £100,000 plus integral multiples of £1,000 in excess thereof.

If definitive 2044 Bonds are issued in exchange of the relevant Global Bond(s) prior to the Final Instalment Payment Date in denominations of £5,000,000 and integral multiples of £1,000 in excess thereof, the Issuer shall use its reasonable endeavours to have a further offering circular approved by the Financial Conduct Authority as listing particulars for the purpose of the Listing Rules to enable such definitive 2044 Bonds to be exchanged for definitive 2044 Bonds which are transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Issuer shall promptly notify holders of the 2044 Bonds, in accordance with Condition 14 (*Notices*), of any action required to be taken by such Bondholders to exchange their 2044 Bonds for definitive 2044 Bonds which are transferable in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

#### ***Notices***

For so long as all of the Bonds of each Series are represented by one or both of the relevant Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to

Bondholders (which includes, for this purpose, any annual financial statements or Compliance Certificate required to be made available pursuant to a request by any of the Bondholders pursuant to Condition 5.5 (*Information Covenants*)) may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 14 (*Notices*). Any such notice shall be deemed to have been given to the holders of the Bonds of such Series on the second day after the day on which such notice was delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as all of the Bonds of each Series are represented by one or both of the relevant Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by any Bondholder may be given to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### ***Accountholders***

For so long as any of the Bonds of each Series is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (the **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such principal amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated as the holder of such principal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions **Bondholder** and **holder of Bonds** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular principal amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Bonds which are represented by a Global Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

### ***Failure by a holder of 2044 Bonds to pay the Final Instalment***

If an Accountholder fails to pay the Final Instalment in respect of the 2044 Bonds held by it in full on the Final Instalment Payment Date, such failure will result in such Accountholder's position in respect of its 2044 Bonds being blocked in accordance with the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, until such Final Instalment is paid in full, and/or further notice from the Issuer, which will result in such Accountholder being unable to trade its 2044 Bonds.

The Issuer may, in respect of any amounts of the Final Instalment which are due and unpaid, elect to forfeit all or any of the 2044 Bonds in respect of which such amount has not been duly paid provided that the failure pay has been continuing for 10 Business Days and the Issuer has made reasonable efforts to contact the relevant Bondholder in respect of the payment owing. Upon such forfeiture, the Issuer shall be entitled to retain any amount(s) paid to it under such 2044 Bonds and shall be discharged from any obligation to repay such amount(s) or to pay interest in respect of the 2044 Bonds so forfeited, but shall have no other rights against Accountholders whose 2044 Bonds have been so forfeited.

Upon such forfeiture, the Issuer shall procure that details of such forfeiture shall be entered in the records of the relevant Clearing Systems, and, upon any such entry being made, any forfeited 2044 Bonds shall be cancelled and the aggregate principal amount of the 2044 Bonds represented by the relevant Global Bond(s) shall be reduced by such forfeited amounts.

### ***Prescription***

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

### ***Instalment Redemption and Cancellation***

Reduction of the Outstanding Principal Amount of any Global Bond following its redemption in one or more instalments, and cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

### ***Partial Call Option***

For so long as all of the Bonds of each Series are represented by one or both of the relevant Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Bonds will be required under Condition 9.5 (*Provisions relating to Partial Redemption*) in the event that the Bonds are to be redeemed in part pursuant to Condition 9.4 (*Early Redemption at the Option of the Issuer*) in respect of less than the aggregate Outstanding Principal Amount of the Bonds outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond(s) are to be subject to such redemption.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds or, in the case of the Retained Bonds, the net proceeds of the sale of the Bonds to a third party (after deduction of expenses payable by the Issuer) shall be applied in furtherance of the Issuer's objects as permitted by its Rules. The Issuer's primary business object is to provide, for the benefit of the community, social housing, other housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

## RETAINED BOND CUSTODY AGREEMENT

The Issuer has appointed BNP Paribas Securities Services, Luxembourg Branch as its Retained Bond Custodian pursuant to the Retained Bond Custody Agreement in relation to the issue of the Bonds.

*The following description of the Retained Bond Custody Agreement consists of a summary of certain provisions of the Retained Bond Custody Agreement and is qualified by reference to the detailed provisions thereof. The Retained Bond Custody Agreement is not, however, incorporated by reference into, and therefore do not form part of, this Offering Circular.*

*Definitions used in this section but not otherwise defined in this Offering Circular have the meanings given to them in the Retained Bond Custody Agreement.*

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall, subject to receipt of such documents as it may require, open, in the name of the Issuer, the Retained Bond Custody Sub-Account and the Retained Bond Cash Sub-Account (together with the Retained Bond Custody Sub-Account, the **Retained Bond Custody Account**).

### **Transfer of Retained Bonds**

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall not effect a transfer of any Retained Bonds except with the prior written consent of the Bond Trustee in the form of a Retained Bond Consent Letter which has been countersigned on behalf of the Bond Trustee.

### **Payment Waiver**

Notwithstanding any other provision of the Retained Bond Custody Agreement to the contrary and subject to the following paragraph, the Issuer has, pursuant to the Retained Bond Custody Agreement, unconditionally and irrevocably:

- (a) waived its rights to receive payments of interest, principal or otherwise in respect of the Retained Bonds and, for the avoidance of doubt, such waiver by the Issuer of such rights will continue to be effective following the occurrence of an Event of Default or Potential Event of Default (each as defined in the Bond Trust Deed);
- (b) authorised the Retained Bond Custodian to disclose the waiver referred to in (a) above in respect of the Retained Bonds (and the Retained Bonds position with the Retained Bond Custodian) to the Principal Paying Agent and any applicable international clearing system for the Retained Bonds to ensure that the waiver of the right to receive payments of interest, principal or otherwise in respect of the Retained Bonds is effected; and
- (c) directed the Retained Bond Custodian, in respect of each Retained Bond held by the Retained Bond Custodian on behalf of the Issuer in the Retained Bond Custody Sub-Account in definitive certificated form, to (i) on each Interest Payment Date, surrender the interest coupon for such Retained Bond corresponding to such Interest Payment Date to the Principal Paying Agent for cancellation, (ii) on each Instalment Redemption Date, surrender the receipt for such Retained Bond corresponding to such Instalment Redemption Date to the Principal Paying Agent for cancellation and (iii) surrender the definitive certificate representing such Retained Bond to the Principal Paying Agent for cancellation on any date on which the Retained Bonds are to be redeemed in full.

The Retained Bond Custodian and the Issuer have each acknowledged and agreed that the waiver, authorisation and direction provided by the Issuer as described above are irrevocable except with the prior written consent of the Bond Trustee in the form of a Retained Bond Consent Letter which has been countersigned on behalf of the Bond Trustee.

### **Termination of Retained Bond Custody Agreement**

Either of the Issuer or the Retained Bond Custodian may terminate the Retained Bond Custody Agreement by giving to at least 90 days' written notice to the other party.

Either of the Issuer or the Retained Bond Custodian may further terminate the Retained Bond Custody Agreement immediately upon notice to the other party upon the dissolution of that other party, or upon the commencement of any action or proceedings seeking liquidation (or equivalent) of that other party.

Pursuant to the Retained Bond Custody Agreement, the Issuer has covenanted for the benefit of the Bond Trustee that, in the event that the Retained Bond Custody Agreement is terminated, it shall appoint a successor custodian to hold the Retained Bonds on substantially the same terms as the Retained Bond Custody Agreement, in particular, but without limitation to, the payment waiver and transfer restrictions applicable to the Retained Bonds, as described above.

## DESCRIPTION OF THE ISSUER

### Incorporation

Southern Housing Group Limited (the **Issuer**) was incorporated on 1st October, 2010 and is an exempt charity registered in England with limited liability under the Industrial and Provident Societies Act 1965 (with registered number IP31055R). It is also registered with the Regulator (with registered number L4628) as a charitable Registered Provider of Social Housing.

The registered address of the Issuer is Fleet House, 59-61 Clerkenwell Road, London EC1M 5LA. The telephone number of its registered address is 08456 120021.

### Background and History

The history of the Issuer is as follows:

- 1901: Samuel Lewis Housing Trust was established as a charitable trust.
- 1991: Samuel Lewis Housing Association Limited, an industrial and provident society, was incorporated (and remained dormant until 1993).
- 1992: the Samuel Lewis Housing Trust joined with Coastal Counties Housing Association to form the Southern Housing Group (a group working umbrella title and non-corporate entity).
- 1993: Samuel Lewis Housing Association Limited changed its name to Samuel Lewis Housing Trust Limited and, by a deed of appropriation, took over the assets and liabilities of Samuel Lewis Housing Trust.
- 2001: Samuel Lewis Housing Trust changed its name to Southern Housing Group Limited.
- 2002: South Wight Housing Association Limited joined the Southern Housing Group.
- 2006: James Butcher Housing Association Limited joined the Southern Housing Group.
- October 2010: Southern Housing Group Limited amalgamated with South Wight Housing Association Limited and James Butcher Housing Association Limited to form the Issuer.

The Issuer is the parent entity of the Group (the **Group**). It has three wholly owned subsidiaries, Southern Home Ownership Ltd (**SHOL**), Southern Space Ltd (**SSL**) and Southern Development Services Limited (**SDSL**), each of which has its own board of directors/management reporting to the main group board.

SHOL is a non-charitable industrial and provident society and Registered Provider of Social Housing that provides a range of low cost home ownership and intermediate housing options.

SSL is a company incorporated under the Companies Act 2006 that develops homes for outright sale. SSL has a one third share in Triathlon Homes LLP which will provide the long term affordable housing at the Olympic Village.

SDSL is a company incorporated under the Companies Act 2006 that provides project delivery services for members of the Group.

As at the date of this Offering Circular, the Group owns and manages more than 27,000 homes in London and the south east of England, of which the Issuer owns over 25,000.

The Issuer also holds 50 per cent. partnership capital in Affinity Housing Services (Reading) (**AHSR**), a joint venture with Windsor District Housing Association. The joint venture has a 33 per cent. holding in Affinity (Reading) Holdings Limited, which holds 100 per cent. of the share capital of Affinity (Reading) limited, the operator of a PFI Contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's Stock. The Issuer also has a 33.33 per cent. direct holding in Affinity (Reading) Holdings Limited which, with the 16.67 per cent. indirect holding described previously, gives a total interest of 50 per cent.

## **Principal Activities and Objectives**

The Issuer's principal activity is the provision of affordable rented and shared ownership accommodation for people in housing need. The Issuer also works with key partners to provide supported housing for people who require additional support.

## **The Board**

The Board members of the Issuer and their principal activities outside the Issuer, where these are significant with respect to the Issuer, are as follows:

<b>Name</b>	<b>Principal activities outside the Issuer</b>
Malcolm Groves (Group Chairman)	Fellow of the Chartered Institute of Bankers. Member of the Chartered Institute of Public Relations. Board member of Island Cottages Limited. Director of Sustainable Chale Limited. Director of Chale Recreation Ground Limited. Director of Isle of Wight County Club Limited. Director of Osborne Court Management (Wokingham) Limited. Director of Independent Arts. Chairman of Chale Community Project Steering Group. Chairman of Chale Parish Council.
Tom Dacey (Group Chief Executive)	Fellow of the Chartered Institute of Housing. Member of the Chartered Management Institute. Director of SSL. Director of SDSL.
Jim Hitch (Chairman of Remuneration & Nominations Committee)	Leaseholder resident. Director of English Language Services Limited.
Preth Rao	Head of Policy and Campaigns at care and support charity Sue Ryder.
Tim Richards	Chairman of SSL and SHOL. Director and founding member of Aston Rose (West End) Limited. Member of the Royal Institute of Chartered Surveyors (RICS).
Justin Chittock (Chairman of Treasury Committee)	Director of Linden Business Consulting Limited.

Paul Rees (Chairman of Audit Committee)	Member of Institute of Chartered Accountants of England and Wales. Trustee of Greensleeves Homes Trust. Chairman of the Audit Committee of the Royal College of Nursing. Chairman of Audit Committee of Surrey Police. Member of CAB Surrey.
Steve Johnson	Director of Independent Advice Services Limited. Director of Advanced Case Management Solutions Limited. Director of VCS Insurance (Guernsey) Limited. Trustee of Advice Services Alliance. Trustee of the Access to Justice Foundation, LawWorks, the School for Social Entrepreneurs and the Change Account Mutual Partnership.
Arthur Merchant	Member of the CIPFA Housing Association Panel. Board member of Aster Housing Group and its subsidiary Synergy Housing Group. Board member of Raven Housing Trust. Board member of the Hertfordshire Chamber of Commerce.
Maureen Corcoran (Chairman of the Customer Services Committee)	Member of the Chartered Institute of Housing. Vice Chair of Kingston Churches Housing Association..

The business address of each of the above Board members is Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA.

There are no potential conflicts of interest between duties to the Issuer of the Board members of the Issuer and their private interests and/or duties.

### **Corporate Governance**

The Board fully supports and complies with the principles set out in the National Housing Federation's Code with the following exceptions:

- the shareholding membership of the Group is limited to Board members only; and
- the group chairman, being an existing board member recommenced his term of three years office in July 2013 in line with the Group's established policy.

The Board is responsible for the business of the Group which includes overseeing and directing its activities, formulating future strategies and plans, maintaining an overview and monitoring the work of its subsidiaries and committees. The Board meets four times per year for regular business and once for a seminar to discuss strategic issues. Board members serve a maximum of three continuous terms of three years.

The Board and each of its Committees and the board of each subsidiary (except SDSL) has detailed terms of reference which are established and monitored by the Board. The terms of reference include the frequency of meetings which range from two to four meetings per year.

Authority is vested in the Group Strategy Team to deliver the operational management of the Group. The Group Strategy Team consists of the Group Chief Executive, the Group Development Director, the Operations Director, the Finance Director and the Corporate Services Director.

The Board has also appointed five committees to carry out specific delegated functions. The committees are:

- Audit Committee – which reports to the Board on the operation of risk management, internal control and internal and external audit matters;
- Customer Services Committee – which considers all matters relating to the provision of services to residents, supported in this work by five regional resident panels, each of which is chaired by a resident;
- Development Committee – which considers matters relating to development strategy including the development of new properties and stock reinvestment;
- Remuneration and Nominations Committee – which considers matters relating to salaries and benefits for all staff, board appraisals, board and committee recruitment and succession planning; and
- Treasury Committee – which considers in detail all aspects of treasury management including the treasury strategy and long term funding requirements.

### **Share Capital and Major Shareholders**

The Issuer has 7 shares in issue of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. The 7 members are committed to a maximum liability of £1 each in the event of the Issuer being wound up. The 7 members are all Board members of the Issuer. Board members must serve 1 year before they are issued a share. Arthur Merchant will complete 1 years' service (and therefore receive a share) in March 2014. Maureen Corcoran will complete 1 years' service (and therefore receive a share) in July 2014. Tom Dacey does not hold a share.

### **Credit Rating**

The Issuer has been assigned a credit rating of "A1" from Moody's.

### **Recent Developments**

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

## **FINANCIAL STATEMENTS**

The consolidated audited financial statements of the Issuer, including the reports of KPMG LLP, for the financial year ended 31st March, 2012 are set out below.

The consolidated audited financial statements of the Issuer, including the reports of PricewaterhouseCoopers LLP, for the financial year ended 31st March, 2013 are set out below.



# Group Financial Accounts

2011/12

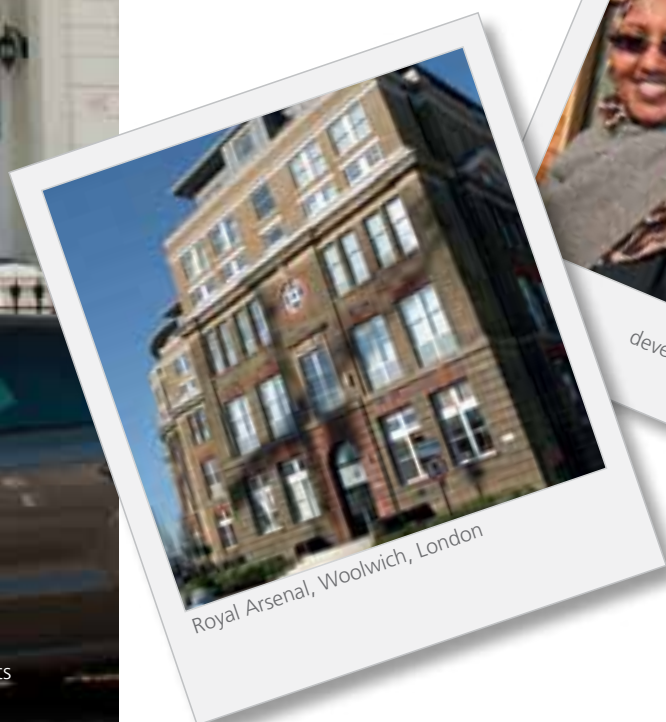
Unlocking the potential of people and places

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## The consolidated financial statements of:

Southern Housing Group Limited  
 Southern Home Ownership Limited  
 Southern Space Limited  
 Southern Development Services Limited



Albany Villas in Hove is one of the Group's key redevelopment projects

# The Board

Members of the Board and Committees of Southern Housing Group Limited as at 31 March 2012:

Group/ Company		Southern Housing Group						SDSL	SHO	SSL
Committee		Board	Remuneration & Nominations	Treasury	Customer Services	Audit	Development	Board	Board	Board
Andrew McIntyre		C	M	M						
Lara Oyedele		M		M (2011)			M			
Anthony Bourne		M	C	M				C		
Tom Dacey	CE	M						M		M
Chris Hampson		M	M		C					
Jim Hitch		M	M						C	C
Jane Hives		M		M		C	M		M	M
Preth Rao		M			M	M (2011)				
Tim Richards		M (2011)					C			
Justin Chittock		M (2011)		C		M				
Malcolm Groves		M (2011)					M (2011)			
Katherine Lyons									M	M
Hugh Stebbing									M	M
Dale Meredith	E								M	M
Rosemary Farrar	E									M (2011)
Alene Wilton	E							M		

C: Chair M: Member CE: Chief Executive E: Executive

## Auditor

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

## Principal Bankers

**National Westminster Bank Plc**  
Corporate Banking  
Second Floor, County Gate 2  
Staceys Street  
Maidstone  
Kent ME14 1ST


## Secretary and Registered office

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



# Operating and financial review

Overview of the Business

A photograph of an elderly couple, a Pearly King and Queen, dressed in traditional pearly costumes. The man is wearing a dark jacket with intricate white and gold patterns, a white shirt, and a tall, ornate hat. The woman is wearing a similar patterned jacket, a white shirt, and a hat decorated with colorful feathers and pearly shells. They are standing outdoors on a street, with a brick building and festive decorations in the background.

**Southern Housing Group was established in 1901 and owns and manages more than 25,000 homes in London and the South East of England, over 40% of these in the high value central London boroughs.**

A Pearly King and Queen at Cyprus Street, London

We provide housing for over 66,000 residents and employ 900 people offering a range of housing options for rent and home ownership. We offer support to our residents through our social and economic investment work involving a variety of ground breaking projects.

We have a healthy pipeline of new housing stock and have contracted with the Homes and Communities Agency (HCA) during 2011/12 to develop homes under the new 'affordable housing' tenure.

Southern Housing Group Limited (SHGL) which is the parent organisation and Southern Home Ownership Limited (SHO) are Registered Providers (RPs) of affordable housing regulated by the HCA. Southern Space Limited (SSL) develops properties for outright sale. Southern Development Services Limited (SDSL) provides project delivery services for companies in the Group. SSL has a one third share in Triathlon Homes LLP which will provide the long term affordable housing at the Olympic Village from 2013 and SHGL has a 50% share in the Reading PFI.

The consolidated financial statements are published on the Group's website [www.shgroup.org.uk](http://www.shgroup.org.uk).

## External Influences

As the country's economy has fallen back into recession the Group continues to maintain its commitment to supply affordable housing. We have a modest contract with the Homes and Communities Agency (HCA) to supply the new tenure 'Affordable Homes'. In addition to this we are continuing to find new ways to operate more efficiently in order to produce a healthy supply of subsidised low cost housing despite the current economic climate.

Our tenants and residents have begun to feel the effects of the economic downturn. High costs of housing in the parts of London and the South East where we operate make the difficulties more acute. Over the year our Social and Economic Regeneration department has worked hard on a variety of projects to provide support, education and employment opportunities funded both by Southern Housing Group and external sources including £66,000 from the 'Big Lottery'.

We have been preparing for the changes in the welfare benefit system and will be putting into place systems and procedures to manage the transition and to ensure that we continue to be financially robust in this period.

The supply of affordable mortgage finance for first time buyers continues to be very challenging as banks have retreated from the domestic mortgage market. Despite this our shared ownership housing has proved popular over the last year with sales exceeding expected price and volume.

Responsibility for the sector's regulation moved during the year from the Tenant Services Authority (TSA) to an independent Regulation Committee within the HCA. The change has led to a much greater emphasis on value for money and efficiency which the Group is embracing.

## Objectives and strategies

The Southern Housing Group is committed to providing housing of a high quality to all in housing need. We aim to provide a first class housing management service to a range of tenures from affordable to mid-market rent levels. In doing this we aim to unlock the potential of people and places.

Our first priority is to our residents and the responsibility to meet our service standards and our residents' evolving needs. In order to continue to meet the needs of tenants and to increase our new supply of housing we are developing a sophisticated asset management strategy in order to maximise the use of our property assets and our net rental income. We are building on a strong legacy and work to establish and strengthen relationships with the communities in which we operate.



Community gardening project at Beaver Court, Kent



## Value for money (VfM)

VfM is a key concept embodied within our Corporate Plan for 2012-2015. The Group's Value for Money strategy is currently being reviewed to ensure that it supports both our new strategic objectives and complies with the new regulator's expectations.

The Group has a robust budgeting process that requires all managers to operate within agreed financial parameters whilst delivering improved outcomes for residents. We concentrate on delivering and demonstrating VfM on a case by case basis rather than trying to develop a complex measurement system.

We are committed to the elimination of waste. During the past year we have re-staffed our Continuous Service Improvement (CSI) Team and worked with specialist consultants to eliminate waste from our key processes and ensure good quality outcomes for our residents.

The CSI team has supported a number of key projects to drive VfM improvements in areas such as estate services, anti social behaviour, void management, procurement

of goods and services and staff performance appraisal. These projects are effective at driving waste from our systems whilst improving outcomes for residents.

The Group has a small Procurement Team that provides support to managers who procure goods and services. This team is critical to obtaining good VfM from everything that the Group purchases. The team methodology includes a calculation to ensure that new contracts really will deliver improved VfM.

As can be seen from the financial VfM indicators below, driving efficiencies in our housing management teams has released resources to add to the investment in the maintenance of our social housing properties.

Increasingly the Group sees VfM as a wider concept covering how we make the best use of our assets. All Departments operate together to ensure that we rationalise our stock holding and make the best use of the assets that we own.

## Financial value for money indicators

	2012	2011
Cost of housing management per social housing property £	<b>127</b>	154
Average cost of maintenance of each social housing property £	<b>1,621</b>	1,339
Average service costs of social housing property £	<b>581</b>	513
Overheads as a percentage of income	<b>41%</b>	45%
Operating cost per social housing property £	<b>3,418</b>	3,294
Social housing lettings operating margin	<b>27%</b>	28%
Empty property rent loss per home £	<b>76</b>	82
Board and Executive pay per home (excl Pension) £	<b>28</b>	34
Spend per unit of housing on new housing supply £	<b>2,969</b>	
Added income from rents spent on new supply £	<b>13,316</b>	
Debt per unit of housing £	<b>28,806</b>	27,075
Cash Collection %	<b>99.3%</b>	101.2%
Bad Debt per unit of housing £	<b>12</b>	12

## Value for money in our operational performance

Our operational performance is monitored by the Board and by our residents and is a critical focus of our Corporate Plan.

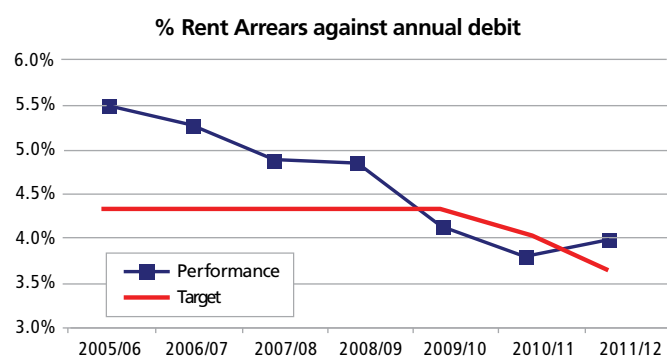
### What our residents think

In addition to completing an annual survey to assess general resident satisfaction levels we continue to monitor our performance through our 'What Matters to Residents' surveys. These surveys show that there has been a significant fall in satisfaction with our handling of anti social behaviour. We have worked hard to improve our success with this challenge by listening to what residents have communicated to us through the surveys.

Aggregated satisfaction with the service area	Aggregated Satisfaction with the Service Area 2011-12	Aggregated Satisfaction with the Service Area 2010-11	Aggregated Satisfaction with the Service Area 2009-10	Aggregated Satisfaction with the Service Area 2008-09	Change 2010-11 to 2011-12
Gas Repairs Service	81%	78%	84%	85%	3%
Gas Servicing	90%	94%	88%		-4%
New Lettings	85%	91%	87%	83%	-6%
Complaints Case handling	47%	41%	41%	39%	6%
ASB service	58%	77%	53%	56%	-19%
Aids and adaptations	87%	90%	87%	83%	-3%
Rent Payment	94%	94%	94%	95%	0%
Works to existing homes	88%	86%	95%	88%	2%
New build homes	83%	81%	84%	85%	2%
External Redecorations	83%	92%	84%	87%	-9%
Resident Services Team	91%	79%			12%
Sales & Marketing	100%	90%	94%	91%	10%
Web Services Survey		65%	67%		
<b>Overall Satisfaction</b>	<b>8.1</b>	<b>8.4</b>	<b>7.8</b>	<b>8.1</b>	

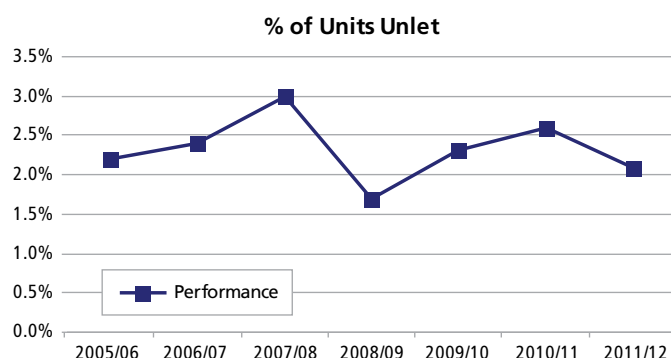
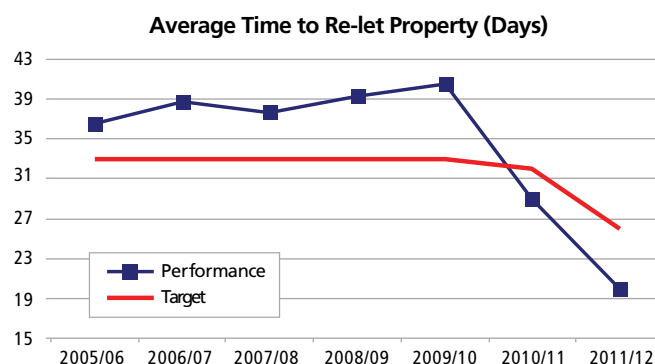
## Rent Arrears

The underlying performance for rent collection rates continued to improve for the sixth consecutive year although the year end arrears position increased marginally due to the timing of the March Housing Benefit receipt. Early intervention and embedding of our financial inclusion services help to minimise the need for evictions. A great deal of preparation is taking place in order that we can assess the impact of the fundamental welfare benefit changes which are to become effective next year and we are working to address the challenge that this will present to our residents.



## Properties to be re-let

The speed with which we turn around our properties to be re-let improved significantly in 2011/12 as the management procedure implemented in 2009/10 has now fully bedded down. The volume of properties for re-let reduced slightly at year end but remains relatively high as a result of the refurbishment programme due to start in 2012/13.



Resident Christian Nyampeta  
at Liverpool Road celebration

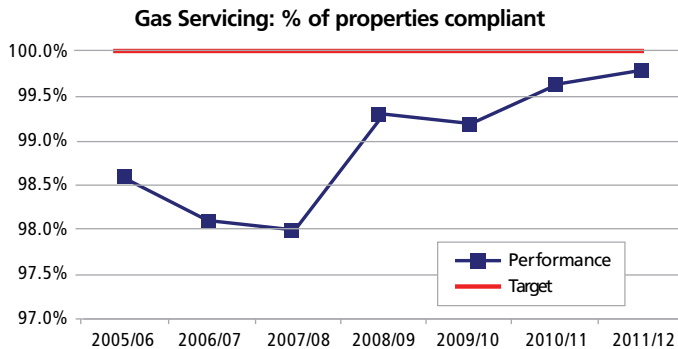


The sustainable development  
at Albany Villas, Hove



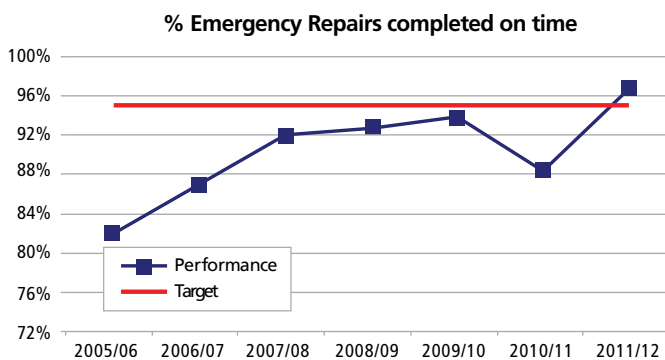
### Gas Servicing

In 2011/12 we further improved the percentage of homes with a valid gas safety certificate with 99.8% compliance being the best performance achieved to date. We will continue to strive to reach 100% compliance.



### Day to Day Repairs

Performance for emergency repairs saw 96.6% of repairs completed within 24 hours of being reported. This is the best performance level achieved in recent years and we continue to maintain a high level of resident satisfaction.



### Decent Homes

Our comprehensive reinvestment programme enabled us to reach 100% decency in our housing stock by the required date of December 2010. We continue to maintain 100% decency through our comprehensive programme of improvement works.



## Social and Economic Regeneration

We are proud to invest in the communities where we work and not just in the buildings we own. As the economy has worsened and cuts in welfare and public services have begun to make an impact, Southern Housing Group's social and economic regeneration work has focussed more than ever on offering support to our residents to become economically active. We are working to tackle barriers such as limited basic skills and confidence and knowledge of the digital world whilst aiming to improve life opportunities. This year Southern Works - our in-house employment advice and guidance service - has engaged with over 600 residents supporting them on their journey to employment. We have piloted a money management training programme for residents which was oversubscribed and which we will expand to support residents through the forthcoming welfare benefit changes. We have also secured a further £50,000 from UK online to support our residents who are digitally excluded.

## Development Performance

In 2011/12 we completed 392 new homes of which 380 were part of the HCA partnering programme. The Group's HCA spend at £17.5m was slightly below the cash planning target of £18.8m, but we were able to claim an additional £3.9m of grant from the 2011-2015 Affordable Housing Programme by taking advantage of the HCA's start-on-site tranche payment offer (to end-of-year). We started work on 288 new homes during the year of which 248 were part of the HCA programme.

As a result of the Group's decision to limit its exposure to the new 'affordable rent' tenure there were fewer starts and handovers in 2011/12. Although the proportions of social or affordable rent, intermediate market homes and outright sale in the programme during 2011/12 remained similar to the previous year (54:43:3) we are reviewing our development strategy going forward following the completion of a highly successful 'Rent to Homebuy' project at Albany Villas in Brighton.

Tenure	2010/11		2011/12	
	Handovers	Starts	Handovers	Starts
Social Rent	254	465	214	0
Affordable Rent	0	0	0	148
Intermediate Rent	145	89	73	0
Rent to Homebuy	0	0	12	0
Market Rent	0	2	0	0
Shared Ownership	69	39	81	100
Outright Sale	39	0	12	40
<b>Total</b>	<b>507</b>	<b>595</b>	<b>392</b>	<b>288</b>

## Affordable Housing Programme

### New Starts 2011-15

The National Affordable Housing Programme (NAHP) 2008-11 was replaced in April 2011 by the Affordable Housing Programme 2011-15 (AHP). The contract for delivering the new 'Affordable Rent' model through this programme was signed with the HCA in November 2011. Despite the delayed contract we were able to start-on-site on seven of the fourteen projects in the programme through careful programme management which has allowed us to access the temporary offer by the HCA of start-on-site grant payment and to achieve a confident start on delivery of the programme.

Our contract with the HCA will deliver 553 new homes by April 2015. Our bid was focussed on our key operating areas in London and the South-East and delivers priority schemes with a balance of 65% affordable rented tenure 35% intermediate rented tenure. Around 85% of the programme is on identified and deliverable projects, a high proportion of which are built on land already in our ownership.

The programme is funded by £12.7m grant with the remaining 85% to be paid for by rental income derived from reletting 390 existing social rent tenancies at the higher affordable rent levels. In addition we have allocated funds from our strategic asset disposals programme towards the cost of the new homes.

Our strategy has been to restrict the number of re-let conversions to one bedroom flats and our policy is to set the new affordable rent at 60% of market rent in London and at 80% elsewhere. In return for the higher rent that we charge we provide carpets and white goods to the tenants. We have been careful to ensure that tenants of the new affordable rent tenure can afford the higher rent. This has been welcomed by most of our partner local authorities and lenders.

## Development Highlights

During 2011/12 we have been working to provide new affordable housing on a number of high profile sites which include:

### Kidbrooke, London Borough of Greenwich

In partnership with Berkeley Homes and LB Greenwich we are demolishing 1970's flats in South East London to make way for a new high quality urban district with around 4,600 new homes, open space and communal facilities. Phase 1 of this huge regeneration scheme involving 229 homes was completed in September 2011 and handovers are currently underway for the second phase of affordable housing comprising of 114 units, including both affordable rent and shared ownership. We have also secured funding for another phase of 112 affordable homes.

### Barking Riverside, London Borough of Barking & Dagenham

The first homes are now complete on this 350 acre brownfield development site. This initial phase, still under construction, will produce 357 homes when completed including 167 at affordable rent levels.

### Highbury Gardens, Holloway Road, London Borough of Islington

Work was completed at the Highbury Gardens scheme in Islington in January 2012. Led by First Base and the Homes and Communities Agency (HCA), Highbury Gardens provides 119 one, two and three bedroom homes as well as office and retail space. The Group is the affordable housing provider for the £30 million development with 18 homes for social rent and 39 shared ownership properties.



Launch of Vacant Lot project,  
Samuel Lewis Trust, London

### **Athletes Village**

We are partners in Triathlon Homes LLP, the joint venture which will take ownership of the 1,379 affordable homes at the Athletes Village, now known as East Village, following the Olympic Games. These homes will be integrated with over 1,400 open market homes owned by the Qatari Diar Delancey partnership which is likely to offer the majority of them for market rental. The project is progressing to time and on budget and all of the homes have achieved 'Games Completion' and have been handed over to the London Organising Committee for the Olympic Games for occupation by competitors during the Games period. After the Games and following completion of a retrofit programme the homes will be handed over for residential occupation throughout 2013 and into 2014. Detailed consultation is taking place with a wide range of local agencies on plans for the letting and management of the affordable homes. East Village will be part of a new mixed tenure community and will eventually blend into the regenerated Lower Lea Valley and become the centrepiece of the Olympic legacy along with the Queen Elizabeth II Park and the stadia.

### **Market Estate, London Borough of Islington**

Work started on the third and final phase of Market Estate in Islington during 2010/11. The project was originally a tenanted stock transfer of a run down ex GLC estate. All the residents were rehoused in newly built homes in the first two phases of the project in accordance with the timetable agreed with residents in the ballot. The third phase provides a mix of 53 homes for Social Rent, 45 Homes for Shared Ownership and 89 homes for Open Market Sale. Completion is due from June 2012 through to November 2012.

### **Holborough Valley, Tonbridge & Malling**

We are taking handover of a further 85 dwellings for social rent tenure in May 2012. These include three bedroom townhouses, and a range of flatted dwelling types. Berkeley Homes are due to complete a further phase later in the year for the open market and for their private rent initiative. Further phases will follow which will include some additional affordable housing.

### **North Bersted, Arun District Council**

North Bersted is a major development on the perimeter of Bognor Regis in West Sussex. Three sites are being built by major housebuilders and we are working with Berkeley Homes. We own and manage 51 properties as part of the development that has been completed to date and a

further 61 units of the affordable housing quota are due to complete during the 2012/13 financial year.

### **West Village, Reading Borough Council**

This is the former Battle Hospital site that is being redeveloped by Barratts David Wilson. Of a total affordable housing quota of 169 units, 60 were completed in 2008, and following a delay caused by market conditions, the remaining 109 homes are being constructed and are due to complete in September 2012. There will be 43 units for social rent, 30 for intermediate market rent and 36 for shared ownership.

### **Pankhurst Avenue, Brighton**

Construction on this site commenced in early 2012 and the 95 units are programmed to complete in October 2013, 40 units for affordable rent and 55 units for shared ownership.

### **Sales and Marketing**

In September 2011 we launched a new specialist team concentrating on first tranche shared ownership sales. Marketing advice and assistance is provided to regional lettings teams who have taken on operational responsibility for all new Intermediate Rent properties.

Thirty one new Shared Ownership properties were completed during the year generating a first tranche sales income of over £3.4m. Twelve homes were let on a rent to homebuy basis. Three homes in our existing stock were also converted from intermediate rent to shared ownership, generating over £200,000 in sales proceeds. This is a strategy we will be exploring further in the coming year.

### **Design Awards Success**

The success of Highbury Gardens has been widely recognised. It recently won 'Best New Place to Live' at the London Planning Awards 2012, where Mayor of London Boris Johnson praised the development's "compelling approach to elegance and sustainability in inner city living". It was also runner up for First Time Buyer Awards' 'Best Architectural Design' and has recently been shortlisted for the British Home Award's 'Apartment Building of the Year' and for the Chartered Institute of Housing's Best Large Scheme award.

Albany Villas in Hove was also confirmed as the runner up for the First Time Buyer Award's 'Most Innovative Re-development of an Existing Property'.



## Environmental Sustainability

The Group has stated its key objectives in its Environmental Sustainability Strategy 'Towards a Greener 2011'.

### Landmark achievements during 2011/12 include:

- Continued improvement in the energy efficiency of our housing stock with the average energy efficiency rating of our housing stock improving by over 1.5 points from last year.
- Completing our first 'Code for Sustainable Homes level 4' at our Highbury Gardens development.
- Reducing the environmental impact of our offices by cutting our in-house printing by 20% through the introduction of smart printing software, achieving a 91% recycling rate and reducing energy use by 12.5%.
- Requiring our development partners to divert 85% of waste from landfill on all development sites
- Training our frontline staff in practical ways to assist residents in or at risk of fuel poverty
- Installing air-source heat pumps, solar thermal panels and voltage optimisation into 40 properties on the Isle of Wight funded by a Renewable Heat Incentive Premium Payment grant from the Department of Energy and Climate Change (DECC).

### The Group continues to innovate to reduce its environmental impact across all areas of its work including initiatives such as:

- Developing a practical approach to the Green Deal and the Renewable Heat Incentive,
- Rolling out video conferencing to two more of the Group's offices,
- Continued engagement with our suppliers and contractors around environmental sustainability including running the annual Sustainable Contractor Award,
- Assessing the risk posed to our stock through predicted changes to the climate

## Governance

### Risks and uncertainties

The Board takes a strategic overview of risk across the Group. We have a well established process for managing risk and our top risk map containing those risks that would significantly affect delivery of our strategic objectives is reviewed by the Audit Committee four times during the year and by the Board at its December meeting.

### The key (high rated) risks at March 2012 are:

- **That potential future rent increases will be suppressed by the current government's planned move from RPI to CPI for calculating rent increases and that the regulator's control of rent increases will therefore reduce the Group's revenue.**

*We have modelled into our medium term business plan suppressed rent increases in order to ensure that the Group can continue to maintain its high standards of management, to maintain its housing assets adequately and to grow and develop new housing assets with the reduction in revenue.*

- **That the changes in government policy concerning housing benefit specifically the use of the rent cap, the under occupancy ruling, the ending of the payment of housing benefit directly to the landlord and the introduction of universal credit will increase rent arrears and reduce revenue collected.**

*We are putting in place rent collection procedures to ensure that our tenants do not run up unmanageable rent arrears. Our Social and Economic Regeneration Department is working with our residents to ensure that they are able to manage the transition to the new regime.*

- **That the new grant funding contract with the Homes & Communities Agency, which introduces the affordable rent tenure poses increased risk for the Group as capital grant funding is much reduced and the funding gap will have to be filled through increased borrowing.**

*We are exploring new ways of developing additional housing with reduced grant and are modelling to use the very high value of housing assets more effectively.*

- **That the changes in our accounting treatment required by the new international financial reporting standards to be applied to our Annual Financial Statements might lead to a breach of covenant with lenders.**

We are structuring our treasury management to reduce this risk to a minimum.

- **That our lenders' attitude to debt management will lead to restrictions in the way we manage our business and to unforeseen breaches of loan covenant/s which will allow lenders to re-price the back book and consequently to increase the cost of borrowing.**

*We are reviewing our treasury strategy to look to replace traditional bank debt with loan finance from other sources.*

- **That economic conditions will reduce our leaseholders' ability to sustain their home owner status.**

*We are working with lenders to address this issue and have made sure that sales are made to leaseholders who meet the affordability criteria set out.*

## The Board

The Board is responsible for the business of Southern Housing Group which includes overseeing and directing our activities, formulating future strategies and plans, maintaining an overview and monitoring the work of its subsidiaries and committees. The Board meets four times per year for regular business and once for a seminar to discuss strategic issues. Board members serve a maximum of three continuous terms of three years. The Board members who served during the year are listed on page 3 and attendance at meetings on page 16.

The Board and each of its subsidiary Boards and Committees has detailed terms of reference which are established and monitored by the Parent Board. The terms of reference include the frequency of meetings which range from two to four meetings per year.

The Board fully supports and complies with the principles set out in the National Housing Federation's Code.

Members of the SHGL Board are paid for their services to increase our ability to attract and retain high calibre members and to improve mechanisms for their performance appraisal and development. The current annual rates of payment are:

<b>Chairman:</b>	<b>£15,000</b>
<b>Member and Chairman of Committee or subsidiary Board:</b>	<b>£ 7,000</b>
<b>Member:</b>	<b>£ 5,000</b>

The level of Board member remuneration was last reviewed by the Remuneration and Nominations Committee during 2010 -11 where it was determined that payment should be retained at the existing levels until the next review.



Social Housing at Barking Riverside development, London

## Committees

### The Audit Committee

The Audit Committee reports to the Board on the operation of our risk management and internal control arrangements. It recommends the appointment of internal and external auditors, considers the scope of their work and the reports produced. It reviews in detail the annual financial statements and recommends them to the Board.

### The Customer Services Committee

The Customer Services Committee considers all matters relating to the provision of services to our residents. This includes considering strategic policies as well as reviewing operational performance covering all aspects of services provided to residents. It also considers the way in which we involve residents in service delivery and other aspects of our work. We have five regional Resident Services Panels (RSP) each of which is Chaired by a resident. Each panel meets on a quarterly basis to discuss the performance of the Group in its region. The Chairman of each panel is invited to sit on the Customer Services Committee ensuring that the RSPs play an integral part in the governance of the Group.

### The Development Committee

The Development Committee considers matters relating to our Development Strategy including the development of new properties and stock reinvestment. It also has oversight of the work of the Parkside Place (formerly known as Market Estate) Committee and monitors performance in relation to property sales and first lettings of intermediate rent properties.

### The Remuneration and Nominations Committee

The Remuneration and Nominations Committee considers matters relating to Board remuneration, recruitment of new Board, subsidiary Board and Committee members, succession planning for all Boards and Committees, skills training, salary structure, pension arrangements, senior staff remuneration, non contractual benefits for all staff and the assessment of the performance of the Board and its Members and its subsidiary Boards and Committees and their Members. Succession planning helps to balance the composition of the Boards and Committees in order to reflect the profile of our residents and to ensure that there is the correct mix of skills on each Committee and Board.

### The Treasury Committee

The Treasury Committee considers in detail all aspects of treasury management including the Treasury Strategy, long term funding requirements and ensures that loan covenants are maintained.



## Board attendance and significant other directorships

Group / Company		Southern Housing Group					Other directorships
Committee	Board	Remuneration & Nominations	Treasury	Customer Services	Audit	Development	
Andrew McIntyre	4(4)	2(4)	0(4)				Ernst & Young Trustees Ltd
Lara Oyedele	4(4)		2(2)			4(4)	Meru Close Management Committee
							BMJ Publishing Group
Anthony Bourne	4(4)	4(4)	3(4)				Bioquell PLC
							Barchester
							Grove Limited
Tom Dacey	4(4)						
Chris Hampton	3(4)	3(4)		4(4)			Look Ahead Housing & Care
Jim Hitch	4(4)	4(4)					English Language Services Ltd.
Jane Hives	4(4)	4(4)	4(4)			3(4)	
Preth Rao	4(4)			4(4)	2(2)		
Tim Richards	4(4)					4(4)	Aston Rose (West End) Ltd.
Justin Chittock	4(4)		4(4)		4(4)		Linden Business Consulting Ltd.
							Island Cottages Ltd.
							Sustainable Chale Ltd
							Chale Recreation Ground Ltd.
Malcolm Groves	3(3)					3(3)	IOW County Club Ltd.
							Independent Arts Ltd.
							Osbourne Court Management Co Ltd.
							IOW Community Business Partnership Ltd.

Group / Company	SDSL
Committee	Board
Anthony Bourne	1(1)
Tom Dacey	1(1)
Alene Wilton	1(1)

Group / Company	SHO
Committee	Board
Jim Hitch	3(3)
Jane Hives	3(3)
Katherine Lyons	2(3)
Hugh Stebbing	3(3)
Dale Meredith	3(3)

Group / Company	SSL
Committee	Board
Tom Dacey	4(4)
Jim Hitch	4(4)
Jane Hives	4(4)
Katherine Lyons	2(4)
Hugh Stebbing	3(4)
Dale Meredith	4(4)
Rosemary Farrar	3(4)

**Board/Committee Meeting Attendance:** Number of meetings attended out of (Total number possible for individual)



## Accounting Policies

There have been no significant changes to the accounting policies in the year.

## Financial performance

### Group Financial Results, Five Year Summary

For the year ended 31 March	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Income and Expenditure Account</b>					
Turnover	135.1	129.8	133.7	128.1	160.4
Operating costs	(103.9)	(96.2)	(106.1)	(101.0)	(117.5)
Operating surplus	31.2	33.6	27.6	27.1	42.9
Net interest charge	(23.4)	(28.3)	(24.2)	(22.2)	(19.8)
Fair value writeback	-	9.5	-	-	-
Surplus on sale of assets	10.4	6.3	4.6	3.7	9.3
Tax charge	(0.3)	-	-	-	-
Surplus for year	17.9	21.1	8.0	8.6	32.4
<b>Balance Sheet</b>					
Housing properties at cost less depreciation	1,659.2	1,631.1	1,572.6	1,503.8	1,355.0
Less: Social Housing and other grants	(847.5)	(839.6)	(782.4)	(737.6)	(697.4)
	811.7	791.5	790.2	766.2	657.6
Other tangible fixed assets	39.9	40.4	39.8	38.4	37.1
Investments	100.1	87.1	105.5	3.3	4.5
Net current assets/(liabilities)	80.2	41.4	7.4	25.9	12.8
	1,031.9	960.4	942.9	833.8	712.0
Loans due after one year	741.7	689.0	686.4	580.8	467.8
Other long term liabilities	15.8	9.7	20.2	23.5	21.0
Reserves	274.4	261.7	236.3	229.5	223.2
	1,031.9	960.4	942.9	833.8	712.0
<b>Statistics</b>					
Operating margin	23%	26%	21%	21%	27%
Interest cover	122%	86%	109%	98%	178%
Gearing	66%	62%	66%	59%	50%
Units of accommodation in management	26,082	25,847	25,480	25,089	24,484

NB: 1. The accounts for 2008-09 reflect the adoption of the Statement of Recommended Practice 2008 (SORP), which resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. The table above has been restated to show the effect on the results and balances as though the policy were in force in previous years.

2. The accounts for 2010-11 reflect the adoption of the Statement of Recommended Practice (SORP) 2010 update, which resulted in a change of policy for the treatment of negative goodwill arising on acquisition. The table above has been restated to show the effect on the results and balances as though the policy were in effect in previous years.

## Turnover and Operating Surplus

Turnover has increased by £5.3m (4%) in 2011/12 whilst operating costs have increased by £7.7m (8%). This has reduced the operating margin to 23%. However the underlying performance of the core operations improved slightly on last year to 27% when the effect of expensing £4.2m prior year costs previously invested in future development projects in work in progress is taken into account.

## Surplus

The 2011/12 surplus of £17.9m shows a strong performance. There is an underlying increase of £6.6m to the bottom line compared with the year to 31 March 2011, which returned a surplus of £11.6m after adjusting for a £9.5m write back of fair value adjustment on consolidation.

Like other social housing providers which continue to develop new social housing for rent the Group develops this with a mixture of housing for outright market sale and shared ownership. Profits on housing sold are used to cross subsidise our social housing. A surplus of £10.4m is included in our results for 2011/12 for this purpose, an increase of £4.1m compared with 2010/11 surplus on housing sold of £6.3m.

## Reserves

Our surplus of £17.9m has resulted in accumulated revenue reserves growing to £272.1m at 31st March 2012. We will invest this in providing new homes, having ensured that we are able to cover the ongoing high quality of our homes and services.

## Use of reserves

	2012 £m	%	2011 £m	%
Investment in Housing stock	1,659		1,631	
Other net assets	57		51	
	1,716		1,682	
Funded by:				
Reserves	274	16%	262	16%
Grants	847	49%	840	50%
Loans (net of cash)	595	35%	580	34%
<b>Total Funding</b>	<b>1,716</b>	<b>100%</b>	<b>1,682</b>	<b>100%</b>

## Impairment

We have reviewed the values of assets included in the Balance Sheet in light of current economic conditions to ensure that these values do not exceed the future benefits from the continued use of these assets. In particular we have reviewed the current values of our land held for future development to make sure that where the expected benefits will not reach the original values we have reduced these to the level of those expected benefits. The net effect of this has been to charge £1.6m impairment (2011: £0.4m impairment write back).

## Pension costs

The Southern Housing Group scheme triennial valuation as at 31/03/10 was completed during the year 2010/11. This valuation took place when the financial markets were at a low ebb together with the impact of increased longevity predictions. The subsequent annual update to the valuation to 31/03/11 for FRS 17 reporting purposes by a professionally qualified independent actuary resulted in a decrease in the actuarial deficit. The pension trustees agreed a revised deficit recovery plan to address the shortfall including a payment during the year of £0.6m. The Group is currently planning for the effect of the new 'opt out' legislation which is expected to be introduced and which will begin to have an impact on our staffing costs within the next 18 months.

### Gift aid

In recent years our policy has been to gift aid surpluses from subsidiaries at a level to minimise their Corporation Tax liability. This year SHO has gift aided £6.6m (2011: £4.2m) and has retained a profit of £1m to be taxed in order to boost its reserves by the net £0.7m. SDSL gift aided £1.4m (2011: £0.1m) to the Group.

### Interest

Net interest payable has increased by £9.2m in the year. However after deducting a consolidation adjustment of £9.5m there has been a slight decrease in actual interest paid in 2011/12. This reflects the historically low cost of borrowing over the period.

### Tangible fixed assets

The value of housing properties has increased to £1,730m (2011: £1,691m) due to the completion of over 200 affordable new homes.

### Loans

Long term loans have increased by £53m to £748m. Cash balances held at 31 March 2012 were £38m greater than at 31 March 2011.

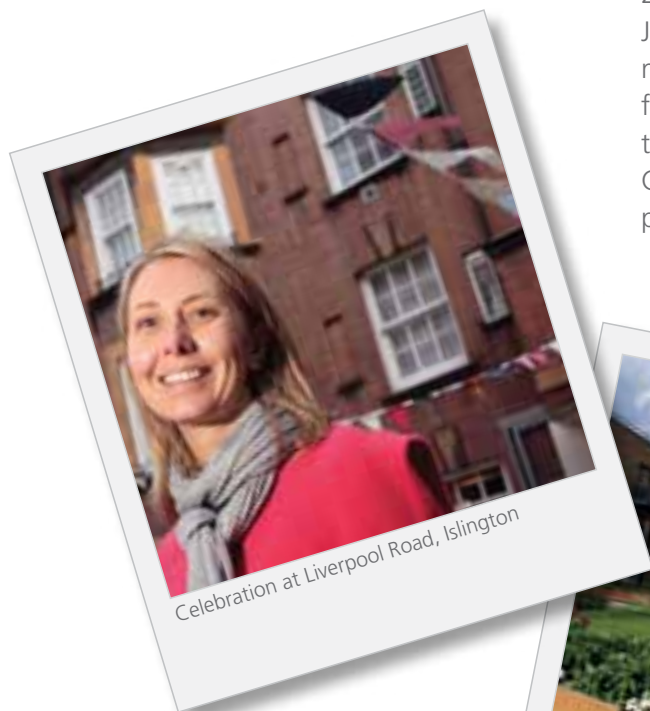
## Treasury policies and objectives

We have a formal Treasury Management Policy which is regularly reviewed and approved by the Group's Treasury Committee (GTC). The Policy's purpose is to establish the framework within which we seek to protect and control risk and exposure in respect of our borrowings and cash holdings.

### In order to achieve this, the Policy provides a strategy for:

- i) Group borrowings and subsequent debt management.
- ii) Investment of surplus funds - both short and long term.
- iii) Relationship with bankers, lenders and advisors.

All the registered providers in the Group have the ability in their rules to manage interest rate risk. A total of seven stand alone derivatives have been transacted by SHGL with a notional principal of £225m which have continued to provide a saving in interest cost during 2011/12. Three additional five year floating to fixed hedges of £25m each were completed during 2011/12. The first £25m hedge becomes effective in June 2013 with others each becoming effective at six monthly intervals thereafter. We do not use derivatives for speculative purposes or in such a way that exposes the Group further to market forces. The Treasury Committee regularly reviews the creditworthiness of the parties with whom we do business.



Celebration at Liverpool Road, Islington



Kidbrooke Village, South London.  
One of the capital's largest developments

## Capital Structure

As a consequence of revised capital adequacy requirements on lenders, most new bilateral funding arrangements will now usually have a maximum term of five years with longer term funding being accessed through either the capital markets, private placements or directly with insurance and pension companies. Reflecting the changed funding regime the GTC have approved SHGL increasing the level of its revolving credit facilities. These new facilities together with existing ones and available cash will provide operational funding capacity over the immediate short term. During this time appropriate longer term funding will be sourced to refinance both revolving facilities and maturing debt. We will continue to have in place facilities with a number of core lenders, thereby balancing the risk of further lenders withdrawing from the sector with the cost of managing a large number of relationships. Within the current funding environment, additional bilateral facilities which seek to tie in a re-pricing of existing debt as a 'quid pro quo' for provision of new funds have been and will continue to be strongly resisted.

**SHGL:** During 2011/12 a new £30m three year unsecured revolving credit facility was completed with Barclays Bank. Initial negotiations are in progress with an existing lender to secure a further £30m of revolving credit. £53m of loans were drawn during the year from two loan facilities to protect funding availability.

Except for the £53m drawings above, there was no change to SHGL's overall debt portfolio, except for scheduled capital repayments

**SHO:** With most new development continuing to take place in SHGL, SHO continues to have limited demand for new facilities. During the year there was no change to its loan portfolio.

**SSL:** Continues to have no external borrowing facilities. Borrowings are in summary:

### Borrowings are in summary:

	31 March 2012		31 March 2011	
	Available facility £m	Drawn £m	Available facility £m	Drawn £m
<b>SHGL</b>				
Capital Markets	<b>146.8</b>	146.8	147.3	147.3
Bilateral	<b>598.3</b>	563.3	570.7	509.7
Total in place	<b>745.1</b>	710.1	718.0	657.0
Under finalisation / negotiation	<b>30</b>		Nil	
<b>SHO</b>				
Total in place (all bilateral)	<b>37.8</b>	37.8	37.8	37.8
<b>SSL</b>				
Total in place	<b>Nil</b>	Nil	Nil	Nil

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

## Committed Facilities:

All of SHGL's £35m un-drawn committed facilities are secured (where required) and available for drawing. The THFC £100m required 12 month interest service reserve fund (ISRF) has been maintained during the year. The £6.35m of nominal 2038 4.75% Gilt originally held within the ISRF was sold during 2011/12 and replaced with £6.35m of cash. It is forecast that the undrawn available facilities and the funds to be released will support SHGL's existing committed development programme for the next 36 months. As at 31 March 2012, SHGL had over 8,350 rented and over 600 shared ownership unencumbered units available as potential security to support further facilities.

## Funding profile:

	31 March 2012			31 March 2011		
	Fixed rate £m	Variable rate £m	Index linked £m	Fixed rate £m	Variable rate £m	Index linked £m
<b>SHGL</b>	<b>363.4</b>	<b>294.1</b>	<b>52.6</b>	369.6	234.7	52.7
<b>SHO</b>	<b>nil</b>	<b>37.8</b>	<b>nil</b>	nil	37.8	nil
<b>SSL</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	nil	nil	nil

Fixed rate debt includes debt where the applicable interest rate is certain for longer than one year. Variable rate is any debt where the interest rate is fixed for less than 12 months at the balance sheet date including any where the agreement is for a longer period but where the bank has the option to cancel in this period. £20m of cancellable transactions were in place at 31 March 2012 with bank option dates exercisable within 12 months.

## Debt maturity

The profile of debt repayments as at 31 March 2012 for the Group is:



## Cash flow

During the year net cash of £26.2m was derived from operating activities and £27.1m was received from the disposal of housing properties. As a developing Group there were significant cash flows from new development with spend of £57.0m before receipt of grant of £18.6m. Loans of £2.9m were repaid in the year and a total of £56m was drawn from loan facilities.

## Liquidity

Surplus funds are invested at competitive rates overnight or for a term period as appropriate. We have drawn £53m of loans to protect availability which is being held pending investment in new developments over the coming 24-30 months.

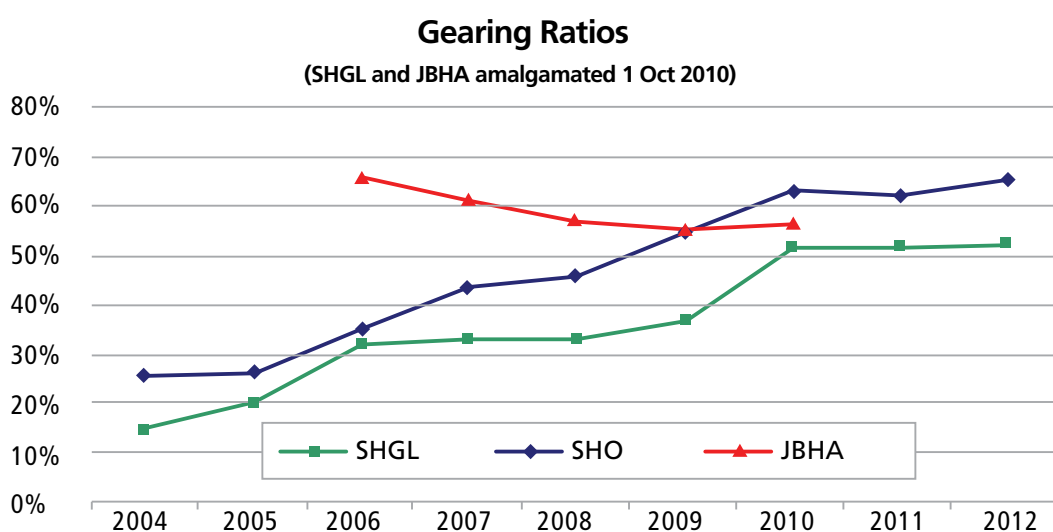
We maintain a list of investment limits for authorised organisations with whom we will place deposits based on short term credit ratings. In normal circumstances access to deposited funds will not exceed three months.

## Loan covenants

Each association within the Group has loan covenants with its lenders based on the circumstances of the association. For SHGL and SHO loan covenants are primarily based on interest cover and gearing. In the case of interest cover the calculation is after adding back housing property depreciation and in most cases includes surpluses from property disposals, where not specifically developed for open market sale.

Net income cover covenants	2012 range	2011 range
SHGL income covenants	0.95 – 2.00	0.95 – 2.00
SHGL actuals	1.92 – 4.68	1.59 – 4.49
SHO income covenants	1.00 – 1.15	1.00 – 1.15
SHO actuals	20.42 – 20.88	18.00 – 19.39

SHGL and SHO are meeting all gearing ratio covenants. The overall level of gearing is primarily influenced by the level of development activity, although the drawing of the £100m THFC loan proceeds during previous years and the £56m of loans during 2011/12 ahead of development investment has impacted on the current gearing level for SHGL. The ratios as at 31 March 2012 are shown below and all covenants in all Group entities are met.



## Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the 2010 SORP, Accounting for Registered Social Housing Providers.



Southern Housing Group is a partner in Triathlon Homes, social housing provider for the Athletes Village

# Report of the Board

For the year ended 31 March 2012



**Statement of Board's responsibilities in respect of the Board's Report and the Financial Statements**

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

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

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

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities. The Board is responsible for the maintenance and integrity of the corporate and financial information included on our website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Corporate governance

The Board confirms that the Group has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance.

## Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage and reduce, rather than to eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss.

We operate ongoing processes for identifying, evaluating and managing the significant risks faced by the Group. They have been in place for the year to 31 March 2012 and up to the date of the approval of the Annual Report and the Financial Statements. The processes are reviewed at least annually by the Board and twice annually by the Audit Committee.

## Risk assessment

Our objectives are contained within the Corporate Plan. There is a process for cascading these objectives throughout the organisation to each operational team and to individual employee's objectives. Assessment of resultant risk is mapped for each entity within the group. Our risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval.

## Control environment

**Authority, responsibility and accountability are set out in the following ways:**

- standing orders and delegated authorities
- policies and procedures manuals in all key areas
- codes of conduct for members of Boards and committees, and for staff
- staff job descriptions and supervisory procedures

## Information

There is a timely system for reporting on progress against our plans. The Boards and their committees receive regular and extensive reports on all key areas of performance.



## Monitoring

We have a comprehensive internal audit programme which is undertaken by Grant Thornton UK LLP, Chartered Accountants. The internal audit programme is designed to review key areas of risk. The internal auditors report to the Head of Compliance. Each audit assignment is sponsored by a senior director who approves the scope of work and takes responsibility for ensuring that recommendations are acted upon. Progress on completing work on recommendations is monitored by the Head of Compliance. Grant Thornton meets quarterly with the Chief Executive and report to each meeting of the Audit Committee on their recent and prospective activity. They also meet informally with the Chair of Audit Committee.

The risk management process incorporates reviews of high level risks across the Group, including the identification of newly emerging risks.

Both the internal audit and risk management activities incorporate follow up reporting on actions identified, thereby improving the control environment.



## Review of effectiveness

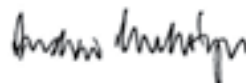
The Board has reviewed the effectiveness of the internal controls through the work of the Audit Committee, which reports regularly to the Board. In addition the Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the year under review and up to the date of approval of this report.

## Disclosure of information to auditors

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

## Auditors

Following a comprehensive competitive tendering process undertaken in accordance with the procurement procedures of the Group, resolution is to be proposed at the annual general meeting for the appointment of PricewaterhouseCoopers LLP as the Group's auditor.



**Andrew McIntyre**

Chairman

On behalf of the Board

9th July 2012

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

We have audited the financial statements of Southern Housing Group Limited for the year ended 31 March 2012 which comprise the Group and Association Income and Expenditure Accounts, the Group Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheets, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable in law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

## Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 24, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## 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 Association as at 31 March 2012 and of the Group and Association surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

## Matters on which we are required to report by exception

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

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

### Chris Wilson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor



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

## Income and Expenditure Accounts

For the year ended 31 March 2012

	Note	<b>Group 2012</b>	Group 2011 Restated	<b>Association 2012</b>	Association 2011
		<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
<b>Total Turnover</b>		<b>140,170</b>	130,420	<b>132,392</b>	126,224
Less: share of joint ventures' turnover		<b>(5,032)</b>	(667)	-	-
<b>Group and Association turnover</b>	2	<b>135,138</b>	129,753	<b>132,392</b>	126,224
Operating costs	2	<b>(103,937)</b>	(96,196)	<b>(98,566)</b>	(92,068)
<b>Operating surplus</b>		<b>31,201</b>	33,557	<b>33,826</b>	34,156
Share of operating surplus in joint venture	13	<b>4,024</b>	3	-	-
<b>Total operating surplus Including share in joint venture</b>		<b>35,225</b>	33,560	<b>33,826</b>	34,156
Surplus on sale of fixed assets	5	<b>10,422</b>	6,288	<b>6,560</b>	4,402
Interest receivable and other income	6	<b>4,409</b>	1,462	<b>4,270</b>	1,559
Interest payable and similar charges					
Group	7	<b>(28,880)</b>	(19,725)	<b>(28,609)</b>	(19,550)
Joint ventures	7	<b>(2,940)</b>	-	-	-
Other finance costs	8	<b>(58)</b>	(469)	<b>(58)</b>	(469)
<b>Surplus on ordinary activities for the year</b>	9	<b>18,178</b>	21,116	<b>15,989</b>	20,098
Tax on surplus on ordinary activities	10	<b>(260)</b>	-	-	-
<b>Surplus for the year</b>		<b>17,918</b>	21,116	<b>15,989</b>	20,098

All turnover and operating costs for the current and prior years are attributable to continuing operations. The notes on pages 31 to 66 form part of these financial statements.

## Statement of Total Recognised Surpluses and Deficits

	Note	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
		<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Surplus for the year		<b>17,918</b>	21,116	<b>15,989</b>	20,098
Unrealised (deficit)/surplus on investments	24	<b>(462)</b>	632	<b>(462)</b>	632
Actuarial (deficit)/gain relating to pension	27	<b>(4,717)</b>	3,565	<b>(4,717)</b>	3,565
<b>Total recognised surplus relating to the year</b>		<b>12,739</b>	25,313	<b>10,810</b>	24,295

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

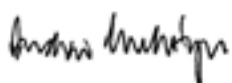
## Balance Sheets

### As at 31 March 2012

	Note	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
<b>Tangible fixed assets</b>					
Housing properties at cost less depreciation	11	1,659,158	1,631,056	1,565,738	1,535,016
Less: Social Housing Grant and other grants	11	(847,434)	(839,539)	(796,141)	(786,802)
Net housing properties		811,724	791,517	769,597	748,214
Other tangible fixed assets	12	39,947	40,356	39,563	39,965
Total tangible fixed assets		851,671	831,873	809,160	788,179
<b>Investments</b>					
Investments at market value	13	12,305	12,855	12,330	12,880
Investment in subsidiaries	13	-	-	9,980	12,530
Investment in joint ventures - share of gross assets	13	86,345	73,677	-	-
Investment in joint ventures - share of gross liabilities	13	(84,827)	(73,191)	-	-
Investment properties	13	926	-	926	-
Homebuy and starter home initiatives	13	9,500	9,718	300	312
Less: Social Housing Grant	13	(8,998)	(9,196)	(300)	(312)
		866,922	845,736	832,396	813,589
<b>Current assets</b>					
Properties for sale	14	49,988	17,704	28,177	2,916
Debtors	15	22,237	23,849	21,116	28,458
Cash at bank and in hand		149,726	112,022	140,467	94,766
		221,951	153,575	189,760	126,140
<b>Creditors: Amounts falling due within one year</b>	16	(56,954)	(38,955)	(46,440)	(32,161)
<b>Net current assets</b>		164,997	114,620	143,320	93,979
<b>Total assets less current liabilities</b>		1,031,919	960,356	975,716	907,568
<b>Creditors: Amounts falling due after more than one year</b>					
Housing loans	17	741,706	689,032	703,881	651,207
Recycled capital grant fund	18	2,707	720	893	373
Disposal proceeds fund	19	292	229	292	229
Deferred income	20	1,373	1,518	1,373	1,518
<b>Provisions for liabilities and charges</b>	21	91	72	25	25
<b>Net pension liability</b>	27	11,360	7,134	11,360	7,134
<b>Capital and reserves</b>					
Share capital	22	-	-	-	-
Revenue reserves	23	272,133	258,932	255,635	244,363
Revaluation reserves	24	1,826	2,288	1,826	2,288
Designated and restricted reserves	25	431	431	431	431
		1,031,919	960,356	975,716	907,568

The notes on pages 31 to 66 form part of these financial statements. These financial statements were approved by the Board on 9 July 2012.

Signed on behalf of the Board



**Andrew McIntyre**  
Chairman



**Jane Hives**  
Board Member



**Phillippa Caine**  
Secretary

*Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 31055R)*

## Consolidated Cash Flow Statement

For the year ended 31 March 2012

	Note	2012 £'000s	2011 £'000s
<b>Net cash inflow from operating activities</b>	(a)	<b>26,152</b>	<b>25,213</b>
Interest received Group		3,976	1,462
Interest received from Joint Venture		433	-
Interest paid		(29,971)	(29,082)
Other finance costs		(58)	(469)
<b>Returns on investments and servicing of finance</b>		<b>(25,620)</b>	<b>(28,089)</b>
Housing properties purchased		(57,018)	(80,375)
Capital grants received		18,600	46,897
Other fixed assets purchased		(2,437)	(2,590)
Housing and other fixed asset sale receipts		27,129	15,690
<b>Capital expenditure</b>		<b>(13,726)</b>	<b>(20,378)</b>
Investment (purchase)/sale		(1,919)	92,274
<b>Financial investment</b>		<b>(1,919)</b>	<b>92,274</b>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>	(b)	<b>(15,113)</b>	<b>69,020</b>
<b>Financing and management of liquid resources</b>			
Debt due within one year	(c)	340	762
Debt due after one year	(c)	52,477	11,758
		<b>52,817</b>	<b>12,520</b>
<b>Increase in cash in the year</b>	(c)	<b>37,704</b>	<b>81,540</b>

## Notes to the Consolidated Cash Flow Statement

For the year ended 31 March 2012

	2012 £'000s	2011 £'000s
<b>a) Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	35,225	33,560
Depreciation charges	15,820	14,976
Share of Joint Venture surplus	(4,024)	-
Impairment/(charge release)	1,626	(412)
Increase in stock of homes for re-sale	(33,255)	(3,467)
Decrease/(increase) in debtors	1,612	(13,020)
Increase/(decrease) in creditors	9,129	(6,436)
Increase in provisions for liabilities and charges	19	12
<b>Net cash inflow from operating activities</b>	<b>26,152</b>	<b>25,213</b>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in the year	37,704	81,540
Cash inflow/(outflow) from:		
New loans	(55,730)	(14,809)
Loan repayments	2,913	2,289
Change in net debt resulting from cashflows	(15,113)	69,020
Change in net debt resulting from non cashflows	(197)	9,109
Movement in net debt in the year	(15,310)	78,129
Net debt at the start of the year	(580,170)	(658,299)
<b>Net debt at the end of the year</b>	<b>(595,480)</b>	<b>(580,170)</b>

### c) Analysis of net debt

	At 1 April 2011 £'000s	Non Cash flow £'000s	Cash flow £'000s	At 31 March 2012 £'000s
Cash at bank and in hand	112,022	-	37,704	149,726
Debt due within one year:				
Housing loans	(3,160)	-	(340)	(3,500)
Debt due after more than one year:				
Housing loans	(689,032)	(197)	(52,477)	(741,706)
<b>Total</b>	<b>(580,170)</b>	<b>(197)</b>	<b>(15,113)</b>	<b>(595,480)</b>



# Notes to the Financial Statements

For the year ended 31 March 2012

## 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2010, the Accounting Requirements for Registered Social Landlords General Determination 2006, and on the historical cost basis (as modified by the revaluation of certain investments). The accounting policies have been consistently applied.

Each accounting policy adopted by the Board of Directors of the Southern Housing Group is presented as an introduction to the note to the Financial Statements to which the policy applies.

### Basis of consolidation

The consolidated accounts incorporate the financial statements of Southern Housing Group Limited (SHGL) (Parent Body), Southern Home Ownership Limited (SHO), Southern Space Limited (SSL) and Southern Development Services Limited (SDSL).

The Parent Body, under certain circumstances, has the power to appoint and remove the Board members of Southern Home Ownership Limited, thereby establishing a quasi-subsidary relationship, which requires that their results should be consolidated with Southern Housing Group Limited.

### Going Concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

## 2. Particulars of turnover, cost of sales, operating costs and operating surpluses

### Policies:

#### Turnover

Turnover represents rental and service charge income receivable from properties owned by the Group and those managed for third parties, fees receivable when they fall due and revenue grants from the public bodies are credited to the Income & Expenditure Account in the same period as the expenditure to which they relate. It also includes receipts from the sale of the 1st tranche of shared ownership properties, proceeds from the sale of properties developed for the open market which are recognised on legal completion, and fees receivable for Design and Build services.



Highbury Gardens, Islington and its landscaped gardens



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

Group	Turnover £'000s	Operating Costs £'000s	2012 Operating surplus £'000s	Turnover £'000s	Operating Costs £'000s	2011 Operating surplus £'000s
<b>Social housing lettings</b>	120,824	(92,943)	<b>27,881</b>	116,669	(80,680)	35,989
<b>Other social housing activities</b>						
Supporting People	2,095	(2,102)	<b>(7)</b>	656	(670)	(14)
1st Tranche Sales	3,373	(2,335)	<b>1,038</b>	7,964	(7,125)	839
Other	296	(182)	<b>114</b>	390	(4,495)	(4,105)
<b>Non-social housing activities</b>						
Commercial income	1,370	(2)	<b>1,368</b>	1,285	(659)	626
Market renting lettings	81	(24)	<b>57</b>	132	(17)	115
Open Market Sales	7,099	(5,670)	<b>1,429</b>	1,953	(1,850)	103
Impairment of Open Market housing properties	-	(141)	<b>(141)</b>	-	65	65
Other	-	(538)	<b>(538)</b>	704	(765)	(61)
<b>Total 2012</b>	<b>135,138</b>	<b>(103,937)</b>	<b>31,201</b>	<b>129,753</b>	<b>(96,196)</b>	<b>33,557</b>

Note:

Non-Social Housing 'Other' turnover and cost for the year 2010/11 has been re-stated from £7,674,000 to £704,000 and from £7,735,000 to £765,000, a reduction of £6,970,000, due to a consolidation adjustment which has no impact on the net surplus.

### Particulars of income and expenditure from Social Housing Lettings

Group	General Needs £'000s	Supported and Older People's Housing £'000s	Intermediate Rent £'000s	Shared ownership £'000s	2012 Total £'000s	2011 Total £'000s
Rent receivable net of identifiable service charges	79,318	10,926	6,555	9,671	<b>106,470</b>	100,877
Service charges	8,855	1,153	415	2,683	<b>13,106</b>	12,973
Charges for support services	-	-	-	-	-	2,175
<b>Gross rental income</b>	<b>88,173</b>	<b>12,079</b>	<b>6,970</b>	<b>12,354</b>	<b>119,576</b>	116,025
ADD: Income from properties managed for third parties	1,248	-	-	-	<b>1,248</b>	644
<b>Turnover from social housing lettings</b>	<b>89,421</b>	<b>12,079</b>	<b>6,970</b>	<b>12,354</b>	<b>120,824</b>	116,669
Management	(23,575)	(3,020)	(1,117)	(3,740)	<b>(31,452)</b>	(21,587)
Services	(11,247)	(1,438)	(516)	(2,469)	<b>(15,670)</b>	(16,978)
Support	-	-	-	-	-	(2,713)
Routine maintenance	(16,502)	(2,109)	(1,066)	-	<b>(19,677)</b>	(15,079)
Planned and Cyclical maintenance	(6,910)	(883)	(310)	-	<b>(8,103)</b>	(12,511)
Bad debts	(950)	(121)	(46)	(113)	<b>(1,230)</b>	(96)
Depreciation	(14,260)	(1,824)	(727)	-	<b>(16,811)</b>	(11,442)
Other Costs	-	-	-	-	-	(274)
<b>Operating costs on social housing lettings</b>	<b>(73,444)</b>	<b>(9,395)</b>	<b>(3,782)</b>	<b>(6,322)</b>	<b>(92,943)</b>	(80,680)
<b>Operating surplus on social housing lettings</b>	<b>15,977</b>	<b>2,684</b>	<b>3,188</b>	<b>6,032</b>	<b>27,881</b>	35,989
<b>Void Losses</b>	<b>1,673</b>	<b>214</b>	<b>85</b>	<b>3</b>	<b>1,975</b>	2,103

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

### Association

	Turnover £'000s	Operating Costs £'000s	2012 Operating surplus £'000s	Turnover £'000s	Operating Costs £'000s	2011 Operating surplus £'000s
<b>Social housing lettings</b>	116,590	(94,127)	<b>22,463</b>	109,865	(77,562)	32,303
<b>Other social housing activities</b>						
Supporting People	2,095	(2,102)	<b>(7)</b>	656	(670)	(14)
1st Tranche Sales	3,373	(2,335)	<b>1,038</b>	7,584	(6,863)	721
Other	8,984	-	<b>8,984</b>	5,692	(5,592)	100
<b>Non-social housing activities</b>						
Commercial income	1,350	(2)	<b>1,348</b>	1,268	(658)	610
Other	-	-	<b>-</b>	1,159	(723)	436
<b>Total 2012</b>	<b>132,392</b>	<b>(98,566)</b>	<b>33,826</b>	<b>126,224</b>	<b>(92,068)</b>	<b>34,156</b>

### Particulars of income and expenditure from Social Housing Lettings

### Association

	General Needs £'000s	Supported and Older People's Housing £'000s	Intermediate Rent £'000s	Shared ownership £'000s	2012 Total £'000s	2011 Total £'000s
Rent receivable net of identifiable service charges	81,540	11,229	6,159	4,564	<b>103,492</b>	95,135
Service charges	8,855	1,153	397	1,445	<b>11,850</b>	11,911
Charges for support services	-	-	-	-	<b>-</b>	2,175
<b>Gross rental income</b>	<b>90,395</b>	<b>12,382</b>	<b>6,556</b>	<b>6,009</b>	<b>115,342</b>	109,221
ADD: Income from properties managed for third parties	1,248	-	-	-	<b>1,248</b>	644
<b>Turnover from social housing lettings</b>	<b>91,643</b>	<b>12,382</b>	<b>6,556</b>	<b>6,009</b>	<b>116,590</b>	109,865
Management	(25,313)	(3,235)	(1,134)	(4,132)	<b>(33,814)</b>	(20,205)
Services	(11,247)	(1,438)	(504)	(1,836)	<b>(15,025)</b>	(15,301)
Support	-	-	-	-	<b>-</b>	(2,713)
Routine maintenance	(16,502)	(2,109)	(739)	-	<b>(19,350)</b>	(15,023)
Planned and Cyclical maintenance	(6,910)	(883)	(309)	-	<b>(8,102)</b>	(12,506)
Bad debts	(950)	(121)	(43)	-	<b>(1,114)</b>	(202)
Depreciation	(14,260)	(1,824)	(638)	-	<b>(16,722)</b>	(11,363)
Other Costs	-	-	-	-	<b>-</b>	(249)
<b>Operating costs on social housing lettings</b>	<b>(75,182)</b>	<b>(9,610)</b>	<b>(3,367)</b>	<b>(5,968)</b>	<b>(94,127)</b>	(77,562)
<b>Operating surplus on social housing lettings</b>	<b>16,461</b>	<b>2,772</b>	<b>3,189</b>	<b>41</b>	<b>22,463</b>	32,303
<b>Void Losses</b>	<b>1,673</b>	<b>214</b>	<b>75</b>	<b>-</b>	<b>1,962</b>	1,977

### 3. Board and senior executive emoluments

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, the Group Chief Executive and any other person who is a member of the Group Strategy Team) was as follows:

Group	2012 £'000s	2011 £'000s
Emoluments	735	865
Pension contributions	97	104
	832	969
Emoluments paid to directors in bands (excluding pensions but including benefits in kind and non-consolidated bonus)	No.	No.
£0 - £10,000	10	11
£10,000 - £20,000	-	1
£40,000 - £50,000	-	1
£80,000 - £90,000	-	1
£90,000 - £100,000	-	1
£100,000 - £110,000	2	1
£110,000 - £120,000	-	-
£120,000 - £130,000	-	1
£130,000 - £140,000	2	-
£150,000 - £160,000	-	1
£160,000 - £170,000	-	-
£180,000 - £190,000	-	1
£190,000 - £200,000	1	-
The emoluments (excluding pension contributions but including non-consolidated bonus) payable to the Group Chief Executive, who is also the highest paid director, were:	£	£
Remuneration	184,340	174,730
Benefits in kind	6,974	8,960
Total emoluments	191,314	183,690

The Group Chief Executive is an ordinary member of the Group pension scheme, and no enhanced or special terms apply.

Board members (non-executive directors) received emoluments of £54,000 during the year (2011: £49,000).

One Board member waived entitlement to remuneration.

#### Gross Salaries of the Group Executive Team were:

	2012 £'000s	2011 £'000s
Tom Dacey	184	174
Rosemary Farrar	130	-
Dale Meredith	125	122
Paul Smith	101	94
Alene Wilton	100	95

### 3. Board and senior executive emoluments (continued)

Chief Executive and Chairman's remuneration on a £ per unit basis	2012 £/Unit	2011 £/Unit
Chief Executive	7.07	6.76
Chairman (waived remuneration)	0	0

The Remuneration and Nominations 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 account of a market comparative exercise which is carried out annually by an independent body. Our aim is not to pay the highest salaries in the market but to remain competitive. During the year executive salaries increased by 3.14% for the Executive Team and by 2.95% for the rest of staff in line with prevailing conditions in the wider market.

The pension schemes available to the Executive Directors are offered on the same terms as to other staff. Executive Directors participate in a non-consolidated bonus scheme whereas staff below Executive Director receive an annual performance related pay award. The awards in both cases are determined by personal performance against objectives and targets.



## 4. Employee information

For the year ended 31 March 2012

	<b>Group 2012 No.</b>	Group 2011 No.	<b>Association 2012 No.</b>	Association 2011 No.
Average number of full-time equivalent employees	<b>766</b>	795	<b>763</b>	792
Staff costs (for the above employees)	<b>Group 2012 £'000s</b>	Group 2011 £'000s	<b>Association 2012 £'000s</b>	Association 2011 £'000s
Wages and salaries	<b>21,785</b>	21,784	<b>21,450</b>	21,343
Social security costs	<b>2,057</b>	1,998	<b>2,026</b>	1,958
Other pension costs	<b>1,541</b>	1,011	<b>1,513</b>	979
	<b>25,383</b>	24,793	<b>24,989</b>	24,280

Gross Salary paid to staff including Executives in bands from £60,000 upwards:

	<b>Group 2012 £'000s</b>	Group 2011 £'000s
£60,000 - £70,000	<b>15</b>	13
£70,000 - £80,000	<b>4</b>	4
£80,000 - £90,000	<b>2</b>	-
£90,000 - £100,000	<b>-</b>	2
£100,000 - £110,000	<b>2</b>	-
£120,000 - £130,000	<b>2</b>	1
£170,000 - £180,000	<b>-</b>	1
£180,000 - £190,000	<b>1</b>	-

The ratio of pay from the highest to the lowest earner was 16.7 (2011: 17.1)

## 5. Surplus on sale of fixed assets

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
Sale proceeds	27,129	15,716	19,395	11,178
Cost of sales	(16,485)	(9,402)	(12,657)	(6,750)
Incidental sale expenses	(222)	(26)	(178)	(26)
	10,422	6,288	6,560	4,402

## 6. Interest receivable and other income

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
Income from investments	2,449	66	2,456	66
Income from bank deposits	1,960	1,396	1,814	1,493
	4,409	1,462	4,270	1,559

## 7. Interest payable and similar charges

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
On bank loans, overdraft and other loans:				
Repayable wholly or partly in more than 5 years	31,024	30,524	30,607	30,121
Less: interest payable capitalised	(2,141)	(1,283)	(1,995)	(1,128)
Bank charges payable	-	(73)	-	-
Joint venture interest payable	2,940	-	-	-
	31,823	29,168	28,612	28,993
Deferred Interest and Indexation:				
Index linked loan	133	132	133	132
Deferred income written back	(136)	(83)	(136)	(83)
	31,820	29,217	28,609	29,042
Exceptional item: Write off Fair value adjustment to loan break costs	-	(9,492)	-	(9,492)
	31,820	19,725	28,609	19,550

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

When James Butcher Housing Association, South Wight Housing Association and the Isle of Wight Housing Association were acquired, a provision was made for added costs relating to loan finance. As a result of amalgamation in 2010/11, this risk was totally removed. The balance of the fair value adjustment, £9,492k at 31 March 2010, was written off to Income and Expenditure Account in 2010/11.

## 8. Other finance costs

	<b>Group 2012 £'000s</b>	Group 2011 £'000s
Group Pension scheme:		
Expected return on pension scheme assets	<b>1,449</b>	1,155
Interest on pension scheme liabilities	<b>(1,434)</b>	(1,509)
Isle of Wight Council Pension scheme:		
Expected return on pension scheme assets	<b>261</b>	252
Interest on pension scheme liabilities	<b>(334)</b>	(367)
	<b>(58)</b>	(469)

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

	<b>Group 2012 £'000s</b>	Group 2011 £'000s	<b>Association 2012 £'000s</b>	Association 2011 £'000s
Surplus on ordinary activities before tax for the year stated after charging/(crediting):				
Depreciation:				
Housing land & buildings	<b>10,724</b>	9,584	<b>10,648</b>	9,505
Other tangible fixed assets	<b>2,333</b>	1,868	<b>2,326</b>	1,863
Component write off	<b>2,269</b>	2,205	<b>2,263</b>	2,205
Impairment/(charge release)	<b>1,626</b>	(412)	<b>1,485</b>	(482)
Operating leases:				
Housing land & buildings	<b>240</b>	255	<b>240</b>	255
Other equipment	<b>63</b>	7	<b>63</b>	7
Auditor's remuneration (including VAT and expenses):			<b>133</b>	132
Audit services	<b>146</b>	148	<b>125</b>	129
Tax services	<b>52</b>	23	<b>48</b>	23
Other services	<b>29</b>	10	<b>29</b>	10

## 10. Taxation

### Policies:

#### Taxation

No taxation is payable on the charitable surpluses of the Parent Body. Taxation is chargeable on the surpluses of SHO, SSL and SDSL. Surpluses either in whole or in part are transferred by Gift Aid. The Group is registered for Value Added Tax. A large proportion of the VAT incurred by the Group cannot be recovered as the bulk of its turnover arises from exempt activities.

#### Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Note:

	<b>Group 2012 £'000s</b>	Group 2011 £'000s	<b>Association 2012 £'000s</b>	Association 2011 £'000s
UK Corporation tax				
Current tax at 26% (2011 : 28%)	<b>260</b>	-	-	-

The current tax charge for the year is the same (2011: the same) as the standard rate of corporation tax in the UK (26% (2011 : 28%)). The differences are explained below.

Current tax reconciliation				
Surplus on ordinary activities before tax	<b>18,178</b>	21,116	<b>15,989</b>	20,098
Share of joint venture taxable surplus	<b>4,968</b>	-	-	-
Less: surplus from charitable activities	<b>(15,989)</b>	(20,089)	<b>(15,989)</b>	(20,098)
Taxable surplus on ordinary activities	<b>7,157</b>	1,027	-	-
Current tax at 26% (2011 : 28%)	<b>1,861</b>	288	-	-
Effects of:				
Tax relief on Gift Aid paid by subsidiaries	<b>(309)</b>	(288)	-	-
Utilisation of tax losses	<b>(1,292)</b>	-	-	-
Total current tax charge (see above)	<b>260</b>	-	-	-

#### Factors that may affect future tax charges

From 1 April 2012 the rate of UK corporation tax that was enacted at the balance sheet date was 24%. It is expected that the corporation tax rate will change to 22% over the following two years. There are no other factors that may significantly affect future tax charges.



## 11. Tangible fixed assets: housing properties

### Policies:

#### Housing properties

Housing properties are held at cost less the amount of grants received towards their costs and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Backlog works relating to stock acquired from Local Authority transfers are also capitalised. All other repair and replacement expenditure is charged to the income and expenditure account.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale. Donated land is treated in accordance with the provisions of the 2010 Housing SORP. It is Group policy to ensure resident shared owners meet their obligations of maintaining the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual values and long economic lives.

#### Depreciation and impairment

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following annual rates:

Housing properties held for letting:

Structure	100 years
Major components	
Bathroom	30 years
Heating system Gas	15 years
Heating system Electric	25 years
Kitchen	20 years
Roof (Pitched)	60 years
Roof (Flat)	20 years
Windows	30 years
Wiring	30 years

Subject to those properties held on short lease where the maximum period is that of the remaining lease.

For all properties impairment reviews are carried out on an annual basis in accordance with FRS 11.

#### Social housing grant

Where developments have been financed wholly or partly by Social Housing Grant the cost of those developments have been reduced by the grant receivable. Social Housing Grant released on sale of a property may be repayable, but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors. Social Housing Grant received in advance in respect of housing properties in the course of construction is shown as a current liability.

#### Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

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

### Note:

#### Group

	Housing Properties Held for Letting	Housing Properties for Letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>					
At 1 April 2011	1,204,253	139,285	307,394	40,571	<b>1,691,503</b>
Reclassification	135,077	2,523	(93,901)	(43,699)	-
Schemes completed	76,487	(76,487)	592	(592)	-
Additions: New properties	1,061	57,201	2,717	14,999	<b>75,978</b>
Existing properties	11,200	-	-	-	<b>11,200</b>
Components written off	(2,769)	-	-	-	<b>(2,769)</b>
Impairment	-	(1,157)	(159)	(169)	<b>(1,485)</b>
Transfer to stock	-	(18,394)	(3,299)	(3,935)	<b>(25,628)</b>
Disposals	(6,214)	(3,718)	(8,342)	(870)	<b>(19,144)</b>
At 31 March 2012	1,419,095	99,253	205,002	6,305	<b>1,729,655</b>
<b>Social Housing Grant</b>					
At 1 April 2011	594,299	71,845	122,594	11,648	<b>800,386</b>
Reclassification	(37,783)	(10,612)	38,777	9,618	-
Transfer to current liabilities	-	(6,693)	-	-	<b>(6,693)</b>
Schemes completed	40,690	(40,690)	-	-	-
Additions	364	19,037	618	422	<b>20,441</b>
Transfer (to)/from recycled capital grant/disposal proceeds fund	-	640	(2,255)	60	<b>(1,555)</b>
Disposals	(3,459)	(1,761)	(20)	-	<b>(5,240)</b>
At 31 March 2012	594,111	31,766	159,714	21,748	<b>807,339</b>
<b>Other Grants</b>					
At 1 April 2011	35,689	1,393	2,071	-	<b>39,153</b>
Schemes completed	406	(406)	-	-	-
Additions	-	609	-	333	<b>942</b>
At 31 March 2012	36,095	1,596	2,071	333	<b>40,095</b>
<b>Depreciation</b>					
At 1 April 2011	60,447	-	-	-	<b>60,447</b>
Charge for year	10,724	-	-	-	<b>10,724</b>
Eliminated in respect of disposals	(674)	-	-	-	<b>(674)</b>
At 31 March 2012	70,497	-	-	-	<b>70,497</b>
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>718,392</b>	<b>65,891</b>	<b>43,217</b>	<b>(15,776)</b>	<b>811,724</b>
At 31 March 2011	513,818	66,047	182,729	28,923	<b>791,517</b>

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

Association	Housing Properties Held for Letting	Housing Properties for Letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>					
At 1 April 2011	1,199,772	128,678	214,981	51,577	<b>1,595,008</b>
Reclassification	135,085	2,523	(93,909)	(43,699)	-
Schemes completed	76,487	(76,487)	592	(592)	-
Additions: New properties	1,084	57,202	2,729	13,528	<b>74,543</b>
Existing properties	11,200	-	-	-	<b>11,200</b>
Components written off	(2,763)	-	-	-	<b>(2,763)</b>
Impairment	-	(1,157)	(159)	(169)	<b>(1,485)</b>
Transfer to stock	-	(18,394)	(3,299)	(3,567)	<b>(25,260)</b>
Disposals	(6,214)	(3,718)	(4,737)	(870)	<b>(15,539)</b>
At 31 March 2012	1,414,651	88,647	116,198	16,208	<b>1,635,704</b>
<b>Social Housing Grant</b>					
At 1 April 2011	592,553	67,268	73,670	15,443	<b>748,934</b>
Reclassification	(37,783)	(10,612)	38,777	9,618	-
Transfer to current liabilities	-	(6,693)	-	-	<b>(6,693)</b>
Schemes completed	40,690	(40,690)	-	-	-
Additions	364	19,037	618	422	<b>20,441</b>
Transfer from recycled capital grant/disposal proceeds fund	-	640	(831)	60	<b>(131)</b>
Disposals	(3,459)	(1,761)	-	-	<b>(5,220)</b>
At 31 March 2012	592,365	27,189	112,234	25,543	<b>757,331</b>
<b>Other Grants</b>					
At 1 April 2011	35,689	1,393	786	-	<b>37,868</b>
Schemes completed	406	(406)	-	-	-
Additions	-	609	-	333	<b>942</b>
At 31 March 2012	36,095	1,596	786	333	<b>38,810</b>
<b>Depreciation</b>					
At 1 April 2011	59,992	-	-	-	<b>59,992</b>
Charge for year	10,648	-	-	-	<b>10,648</b>
Eliminated in respect of disposals	(674)	-	-	-	<b>(674)</b>
At 31 March 2012	69,966	-	-	-	<b>69,966</b>
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>716,225</b>	<b>59,862</b>	<b>3,178</b>	<b>(9,668)</b>	<b>769,597</b>
At 31 March 2011	511,538	60,017	140,525	36,134	<b>748,214</b>

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

Housing properties comprise:	Group 2012	Group 2011	Association 2012	Association 2011
	£'000s	£'000s	£'000s	£'000s
Freehold	1,672,536	1,634,384	1,610,037	1,569,341
Long leasehold	57,119	57,119	25,667	25,667
	<b>1,729,655</b>	1,691,503	<b>1,635,704</b>	1,595,008
<b>Total Social Housing Grant received or receivable to date is as follows:</b>	<b>Group 2012</b>	<b>Group 2011</b>	<b>Association 2012</b>	<b>Association 2011</b>
	£'000s	£'000s	£'000s	£'000s
<b>SHG and other capital grants deducted from:</b>				
Housing properties at cost	847,434	839,539	796,141	710,690
Homebuy and starter home initiative	8,998	9,196	300	312
Add: cumulative amount credited to Income and Expenditure Account	21,432	21,498	21,432	21,498
	<b>877,864</b>	870,233	<b>817,873</b>	732,500

Additions to housing properties during the year included net capitalised interest paid of £2,141,000 (2011: £1,283,000).

Accommodation in management comprises:	Group 2012	Group 2011	Association 2012	Association 2011
	Units	Units	Units	Units
<b>Units owned and managed:</b>				
General needs	17,681	17,670	17,681	17,670
Housing for Older People	2,593	2,603	2,593	2,603
Supported Housing	211	213	211	213
Shared ownership	3,076	3,029	1,381	1,315
Intermediate rent	906	788	906	788
Other	53	27	53	27
	<b>24,520</b>	24,330	<b>22,825</b>	22,616
<b>Units managed on behalf of other landlords:</b>				
General needs	8	8	8	8
Supported Housing	59	59	59	59
Shared ownership	-	-	1,695	1,714
	<b>67</b>	67	<b>1,762</b>	1,781
<b>Managed freeholds:</b>				
RTB Leasehold	1,449	1,383	1,449	1,383
100% staircased	46	67	46	67
	<b>1,495</b>	1,450	<b>1,495</b>	1,450
<b>Total units managed (including Freeholds)</b>	<b>26,082</b>	25,847	<b>26,082</b>	25,847
<b>Total units owned</b>	<b>24,600</b>	24,287	<b>22,905</b>	22,696

## 12. Other tangible fixed assets

### Policies:

#### Depreciation and impairment

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following annual rates:

Commercial shops	30 years
Freehold offices	between 30 and 60 years
Plant, machinery, fixtures and vehicles	between 3 and 5 years
Computer equipment	5 years

For all properties impairment reviews are carried out on an annual basis in accordance with FRS 11.

Group	Freehold & leasehold properties	Estate equipment	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>					
At 1 April 2011	35,103	15,029	2,159	2,869	55,160
Additions	-	1,677	247	513	2,437
Disposals	(550)	(77)	(151)	-	(778)
At 31 March 2012	34,553	16,629	2,255	3,382	56,819
<b>Depreciation</b>					
At 1 April 2011	5,072	5,520	1,940	2,272	14,804
Charge for year	617	1,128	175	413	2,333
Disposals	(60)	(64)	(141)	-	(265)
At 31 March 2012	5,629	6,584	1,974	2,685	16,872
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>28,924</b>	<b>10,045</b>	<b>281</b>	<b>697</b>	<b>39,947</b>
At 31 March 2011	30,031	9,509	219	597	40,356

## 12. Other tangible fixed assets (continued)

Note:

Association	Freehold & leasehold properties	Estate equipment	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>					
At 1 April 2011	34,697	15,029	2,159	2,866	<b>54,751</b>
Additions	-	1,677	247	513	<b>2,437</b>
Disposals	(550)	(77)	(151)	-	<b>(778)</b>
At 31 March 2012	34,147	16,629	2,255	3,379	<b>56,410</b>
<b>Depreciation</b>					
At 1 April 2011	5,054	5,520	1,940	2,272	<b>14,786</b>
Charge for year	610	1,128	175	413	<b>2,326</b>
Eliminated in respect of disposals	(60)	(64)	(141)	-	<b>(265)</b>
At 31 March 2012	5,604	6,584	1,974	2,685	<b>16,847</b>
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>28,543</b>	<b>10,045</b>	<b>281</b>	<b>694</b>	<b>39,563</b>
At 31 March 2011	29,643	9,509	219	594	<b>39,965</b>

### Freehold and leasehold properties comprise:

	Group 2012	Group 2011	Association 2012	Association 2011
	£'000s	£'000s	£'000s	£'000s
Freehold	<b>34,504</b>	35,054	<b>34,098</b>	34,648
Long leasehold	<b>49</b>	49	<b>49</b>	49
	<b>34,553</b>	35,103	<b>34,147</b>	34,697

## 13. Investments

### Policy:

#### Investments

SHGL retains a 25% stake in homes purchased through the Homebuy scheme and variable percentage stakes in homes purchased through the Starter Home Initiative. Investments in Homebuy and Starter Home Initiatives are funded through Social Housing Grant and held in the balance sheet at historic cost. Investments in subsidiaries and joint ventures are stated at cost. Listed and unlisted investments are stated at market value.

Properties held for their investment potential are accounted for in accordance with SSAP19 'Accounting for Investment Properties'. These properties are stated at market value.

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
<b>Cost</b>				
Unlisted investments	<b>10,608</b>	10,637	<b>10,633</b>	10,662
Investment loan to wholly owned subsidiary	-	-	<b>9,980</b>	12,530
Investment in joint venture	<b>1,518</b>	486	-	-
Total investments at cost	<b>12,126</b>	11,123	<b>20,613</b>	23,192
<b>Market Value</b>				
Unlisted investments	<b>12,305</b>	12,855	<b>12,330</b>	12,880
Investment loan to wholly owned subsidiary	-	-	<b>9,980</b>	12,530
Investment in joint venture	<b>1,518</b>	486	-	-
Total investments at market value	<b>13,823</b>	13,341	<b>22,310</b>	25,410
	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
<b>Investment properties</b>				
Cost/Valuation at 1 April 2011	-	-	-	-
Additions	<b>926</b>	-	<b>926</b>	-
Valuation adjustment	-	-	-	-
At 31 March 2012	<b>926</b>	-	<b>926</b>	-
<b>Homebuy and starter home initiatives</b>				
Homebuy and starter home initiatives	<b>9,500</b>	9,718	<b>300</b>	312
Less: Social Housing Grant	<b>(8,998)</b>	(9,196)	<b>(300)</b>	(312)
	<b>502</b>	522	-	-

## 13. Investments (continued)

### Note:

Unlisted investments represent holdings in managed funds.

Southern Housing Group Limited holds:

- 100% of the ordinary share capital of Southern Development Services Limited.
- 100% of the ordinary share capital of Southern Space Limited.
- 16.67% indirect holding and 33.33% direct holding in Affinity (Reading) Holdings Limited, a joint venture holding 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing stock.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The joint venture will take ownership of the affordable homes at East Village following the Olympic Games.

Investment loan to wholly owned subsidiary	Group £'000s	Association £'000s
At 1 April		12,530
Net advances		(2,550)
At 31 March		9,980

Unlisted investments at market value	Group £'000s	Association £'000s
At 1 April	12,855	12,880
Investment repayment	(29)	(29)
	12,826	12,851
Change in value	(462)	(462)
Write downs	(59)	(59)
At 31 March	12,305	12,330

The amounts included in respect of joint ventures comprise the following:	Triathlon LLP 2012 £'000s	Triathlon LLP 2011 £'000s
Share of turnover of joint venture	5,032	667
Share of assets		
Share of fixed assets	76,617	72,576
Share of current assets	9,728	1,101
	86,345	73,677
Share of liabilities		
Due within one year	(163)	(655)
Due after one year	(84,664)	(72,536)
	(84,827)	(73,191)
Investment summary		
Investment at cost	500	500
Interest payable due to the Group	222	-
Share of accumulated surplus/(deficit)	796	(14)
	1,518	486



## 13. Investments (continued)

Included above are the following individually significant joint ventures.

	Triathlon LLP 2012 £'000s	Triathlon LLP 2011 £'000s
Turnover	5,032	667
Profit before taxation	4,024	3
Interest payable	(3,214)	-
Taxation	-	-
Profit after taxation	810	3

## 14. Properties for sale

### Policies:

#### Shared ownership first tranche sales

Shared Ownership properties held for sale and under construction are split proportionally between current assets and fixed assets, based on the expected first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining elements of the Shared Ownership properties are accounted for as fixed assets. Subsequent sales are treated as part disposals of fixed assets.

#### Stock and work in progress

Stock and work in progress represents properties held for transfer to other Registered Providers or for outright sale, and is stated at the lower of cost (including attributable overheads and interest) and net realisable value.

Note:	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
Properties under construction	28,259	11,139	6,448	2,881
Completed properties	3,334	6,565	3,334	35
Land	18,395	-	18,395	-
	49,988	17,704	28,177	2,916

## 15. Debtors

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
<b>Due within one year:</b>				
Arrears of rent and service charges	<b>6,406</b>	5,854	<b>6,125</b>	5,545
Less: provision for bad and doubtful debts	<b>(4,768)</b>	(3,872)	<b>(4,582)</b>	(3,801)
	<b>1,638</b>	1,982	<b>1,543</b>	1,744
Social Housing Grant receivable	<b>2,079</b>	11,114	<b>2,079</b>	11,114
Amounts due from connected entities	-	-	<b>7,061</b>	9,488
Other debtors	<b>16,172</b>	9,540	<b>8,264</b>	5,133
Prepayments and accrued income	<b>2,348</b>	1,213	<b>2,169</b>	979
	<b>22,237</b>	23,849	<b>21,116</b>	28,458

## 16. Creditors: amounts falling due within one year

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
Social Housing Grant received in advance	<b>139</b>	139	-	-
Recycled capital grant fund	-	214	-	214
Disposal proceeds fund	<b>829</b>	732	<b>829</b>	732
Amounts due to connected entities	-	-	-	3
Accruals and deferred income	<b>32,029</b>	24,591	<b>28,250</b>	22,416
Corporation tax	<b>260</b>	-	-	-
Other taxation and social security	<b>561</b>	114	<b>561</b>	114
Other creditors	<b>12,943</b>	10,005	<b>6,607</b>	5,522
Capital grant on properties for sale	<b>6,693</b>	-	<b>6,693</b>	-
Housing loans	<b>3,500</b>	3,160	<b>3,500</b>	3,160
	<b>56,954</b>	38,955	<b>46,440</b>	32,161



A caretaker at Liverpool Road,  
the Group's first scheme

## 17. Housing loans

### Policy:

#### Premium on debentures

Premiums on issue are treated as deferred income and written back to the income and expenditure account over the period of the loan.

#### Note:

	<b>Group 2012 £'000s</b>	Group 2011 £'000s	<b>Association 2012 £'000s</b>	Association 2011 £'000s
Housing loans falling due after one year	<b>744,427</b>	691,680	<b>706,602</b>	653,855
Loan set up cost	<b>(2,721)</b>	(2,648)	<b>(2,721)</b>	(2,648)
	<b>741,706</b>	689,032	<b>703,881</b>	651,207
Housing loans are secured by specific charges on certain of the Group's housing properties and are repayable in instalments due as follows:	<b>Group 2012 £'000s</b>	Group 2011 £'000s	<b>Association 2012 £'000s</b>	Association 2011 £'000s
In one year or less	<b>3,500</b>	3,160	<b>3,500</b>	3,160
Between one and two years	<b>3,874</b>	3,433	<b>3,849</b>	3,433
Between two and five years	<b>19,834</b>	15,438	<b>19,089</b>	15,088
In five years or more	<b>720,719</b>	672,809	<b>683,664</b>	635,334
	<b>747,927</b>	694,840	<b>710,102</b>	657,015

Housing loans bear hedged rates of interest ranging from 3.3% to 13.1% or variable rates based on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2017 to 2045. Southern Housing Group Limited has the following stand alone derivative transactions as at 31 March 2012:

	<b>Market Value (£million)</b>	
	<b>2012</b>	2011
£20m 3 yearly cancellable swap at a fixed rate of 4.77%, first option date July 2010	<b>(7.35)</b>	(3.74)
£25m 30 year cancellable swap at a fixed rate of 4.57%, option date November 2023	<b>(8.00)</b>	(3.19)
£30m 27 year swap at a fixed rate of 4.9875% discounted by compound RPI above 3.20%	<b>(10.57)</b>	(5.24)
£75m 3 year fixed (6.35%) to floating (3.125% + 6-month LIBOR (in arrears) swap	<b>1.52</b>	1.73
£25m 5 year swap at a fixed rate of 2.75% - commencing 25 June 2012	<b>(1.54)</b>	-
£25m 5 year swap at a fixed rate of 3.055% - commencing 24 December 2012	<b>(1.70)</b>	-
£25m 5 year swap at a fixed rate of 3.3% - commencing 24 June 2013	<b>(1.79)</b>	-

All stand alone derivative transactions are supported by charged property security to cover any adverse mark to market valuations.

## 18. Recycled capital grant fund

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Balance at 1 April	<b>934</b>	9,139	<b>587</b>	2,504
Grant released on sales	<b>2,464</b>	1,960	<b>844</b>	701
Interest added to fund	<b>9</b>	48	<b>4</b>	12
Inter-group transfer	<b>-</b>	-	<b>158</b>	7,018
Grant recycled into new schemes	<b>(700)</b>	(10,213)	<b>(700)</b>	(9,648)
Balance as at 31 March	<b>2,707</b>	934	<b>893</b>	587
Due within one year	<b>-</b>	(214)	<b>-</b>	(214)
Due in more than one year	<b>2,707</b>	720	<b>893</b>	373

## 19. Disposal proceeds fund

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Balance at 1 April	<b>961</b>	3,064	<b>961</b>	3,064
Released on sales	<b>155</b>	117	<b>155</b>	117
Interest added to Fund	<b>5</b>	15	<b>5</b>	15
Recycled into new schemes	<b>-</b>	(2,235)	<b>-</b>	(2,235)
Balance as at 31 March	<b>1,121</b>	961	<b>1,121</b>	961
Due within one year	<b>(829)</b>	(732)	<b>(829)</b>	(732)
Due in more than one year	<b>292</b>	229	<b>292</b>	229

## 20. Deferred income

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Balance at 1 April	<b>1,518</b>	1,938	<b>1,518</b>	1,938
Transferred to Income and Expenditure Account	<b>(145)</b>	(420)	<b>(145)</b>	(420)
Balance as at 31 March	<b>1,373</b>	1,518	<b>1,373</b>	1,518
Deferred income comprises:				
Premium on debentures	<b>1,122</b>	1,205	<b>1,122</b>	1,205
Property leasing income	<b>251</b>	313	<b>251</b>	313
	<b>1,373</b>	1,518	<b>1,373</b>	1,518

## 21. Provisions for liabilities and charges

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Balance at 1 April	<b>72</b>	60	<b>25</b>	25
Transferred to income and expenditure account	<b>19</b>	12	<b>-</b>	-
Balance as at 31 March	<b>91</b>	72	<b>25</b>	25

## 22. Called-up share capital

	<b>Association 2012</b>	Association 2011
	<b>£</b>	£
Shares of £1 each issued and fully paid:		
Balance at 1 April	<b>7</b>	9
Shares issued during year	<b>1</b>	3
Shares surrendered during year	<b>-</b>	(5)
As at 31 March	<b>8</b>	7

The share capital of the Association consists of shares of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled.

## 23. Revenue reserve

	<b>Group 2012</b>	Association 2012
	<b>£'000s</b>	£'000s
Balance at 1 April 2011	<b>258,932</b>	244,363
Surplus for year	<b>17,918</b>	15,989
Actuarial loss relating to pension scheme	<b>(4,717)</b>	(4,717)
As at 31 March 2012	<b>272,133</b>	255,635

	<b>Group 2012</b>	Association 2012
	<b>£'000s</b>	£'000s
Revenue reserve excluding pension liability	<b>283,493</b>	266,995
Pension liability	<b>(11,360)</b>	(11,360)
Revenue reserve including pension liability	<b>272,133</b>	255,635

## 24. Revaluation reserve

Group and Association	2012 £'000s	2011 £'000s
Balance at 1 April	2,288	1,656
Surplus on revaluation of investments	(462)	632
As at 31 March	1,826	2,288

The reserve relates to the SHGL investment portfolio shown at market value. The difference between cost and market value has been (debited)/credited to the reserve.

## 25. Designated and restricted reserves

### Policies.

#### Designated reserves

These reserves are designated for specific purposes. The reserves are administered and managed in accordance with the purpose for which the reserve was intended.

#### Restricted reserves

These reserves relate to grants from third parties which are only expendable in respect of the projects for which they are received.

#### Note:

Group and Association	Designated reserves £'000s	Restricted reserves £'000s	Total 2012 £'000s	Total 2011 £'000s
Balance at 1 April	430	1	431	431
As at 31 March	430	1	431	431

#### Designated reserves comprise:

	Group 2012 £'000s	Group 2011 £'000s	Association 2012 £'000s	Association 2011 £'000s
Legacy grants	133	133	133	133
Tenant amenities	50	50	50	50
IOW health authority housing improvements	38	38	38	38
Sheltered housing improvements	209	209	209	209
	430	430	430	430

## 26. Capital commitments

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Capital expenditure contracted but not provided for in the financial statements	<b>98,124</b>	148,813	<b>93,612</b>	136,295
Capital expenditure authorised but not contracted	<b>14,252</b>	8,683	<b>14,252</b>	6,744

## 27. Pension Schemes

### Policy:

#### Retirement benefits

The Group operates a number of pension schemes:

- Defined benefit schemes – Southern Housing Group Pension scheme and Isle of Wight Pension scheme
- Multi-employer scheme – The Social Housing Pension Scheme (SHPS)
- Money Purchase scheme – The Zurich Assurance Limited Pension Scheme

#### Defined Benefit Schemes

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group also participates in a defined benefit pension scheme which is administered by the Isle of Wight Council and has minor participation in other local authority schemes.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

#### The Social Housing Pensions Scheme (SHPS)

The Group also participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

#### Money Purchase Scheme

The Group also participates in a defined contribution scheme where the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

## 27. Pension Schemes (continued)

### Note:

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

a) Defined benefit schemes

SHGL and SHO contribute to the Southern Housing Group scheme which was closed to new members from 31 March 2003.

SHGL also contributes to:

The Social Housing Pension Scheme which was closed to new members from 1 January 2007.

The Isle of Wight Council Pension Fund for employees who transferred from the Isle of Wight Council or other local authorities.

b) Defined contribution schemes

A defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

#### The amounts recognised in the balance sheet are as follows:

	<b>Group 2012</b>	Group 2011	<b>Association 2012</b>	Association 2011
	<b>£'000s</b>	£'000s	<b>£'000s</b>	£'000s
Southern Housing Group Pension scheme	<b>8,557</b>	4,832	<b>8,557</b>	4,832
Isle of Wight Pension scheme	<b>2,803</b>	2,302	<b>2,803</b>	2,302
Total net liabilities	<b>11,360</b>	7,134	<b>11,360</b>	7,134

## Southern Housing Group Pension Scheme

The defined benefit plan provides benefits based on final pensionable salary. The latest full actuarial valuation was carried out at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2011 by a professionally qualified independent actuary, the rates of contribution being determined by the actuary.

During the accounting period the Group paid contributions as follows:

1 April 2011 to 31 August 2011	20.7%
1 September 2011 to 31 March 2012	23.6%

plus an additional annual payment of £597,990 (2010/11: £564,840).

It has been agreed that the employer contribution rate to be applied from 1 April 2012 is 23.6%.



## 27. Pensions (continued)

The major assumptions used in this valuation were:

Actuarial assumptions	2012 %pa	2011 %pa	2010 %pa
Rate of increase in salaries	4.30	4.50	4.70
Rate of increase in pensions in payments and deferred pensions	3.10	3.25	3.30
Discount Rate	4.60	5.40	5.50
Inflation assumption - RPI	3.30	3.50	3.70
Inflation assumption - CPI	2.50	3.00	N/A

### Mortality assumptions

	Male	Female
Current pensioner aged 65	21.68 yrs	24.13 yrs
Future retiree upon reaching 65	24.65 yrs	27.05 yrs

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

Scheme values	2012 £'000s	2011 £'000s	2010 £'000s
Equities	11,537	10,896	10,650
Bonds	5,997	5,221	7,414
Property	1,026	949	690
Absolute return fund	4,310	4,121	-
Cash	183	388	506
Total market value of assets	23,053	21,575	19,260
Present value of scheme liabilities	(31,610)	(26,407)	(26,842)
Net pension liability	(8,557)	(4,832)	(7,582)

### Long term rate of return

	2012 %	2011 %	2010 %
Equities	5.90	7.30	6.50
Bonds	5.00	5.30	6.50
Absolute return fund	5.00	6.80	N/A
Property	5.10	6.80	6.00
Cash	1.50	3.50	4.00

## 27. Pensions (continued.)

Movements in present value of defined benefit obligation	2012 £'000s	2011 £'000s
At 1 April 2011	26,407	26,842
Current service cost	736	742
Interest on obligation	1,434	1,509
Contribution by members	125	129
Actuarial losses/(gains)	3,506	(2,348)
Administration expenses	(115)	(97)
Benefits paid	(483)	(370)
At 31 March 2012	31,610	26,407

Movement in fair value of fund assets	2012 £'000s	2011 £'000s
At 1 April 2011	21,575	19,260
Expected returns on fund assets	1,449	1,155
Contribution by members	125	129
Actuarial (losses)/gains	(656)	498
Contributions by employer	1,158	1,000
Administration expenses	(115)	(97)
Benefits paid	(483)	(370)
At 31 March 2012	23,053	21,575

Movement in deficit during year	2012 £'000s	2011 £'000s	2010 £'000s
Deficit in scheme at beginning of year	(4,832)	(7,582)	(6,841)
Current service cost	(736)	(742)	(535)
Contributions paid	1,158	1,000	788
Other finance expense	15	(354)	(345)
Actuarial (loss)/gain	(4,162)	2,846	(649)
Deficit in scheme at end of year	(8,557)	(4,832)	(7,582)

Analysis of other pension costs charged in arriving at operating surplus	2012 £'000s	2011 £'000s	2010 £'000s
Current service cost	(736)	(742)	(535)

Analysis of amounts included in other finance income/expense	2012 £'000s	2011 £'000s	2010 £'000s
Expected return on pension scheme assets	1,449	1,155	920
Interest on plan liabilities	(1,434)	(1,509)	(1,265)
	15	(354)	(345)

## 27. Pensions (continued)

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

	2012 £'000s	2011 £'000s	2010 £'000s
Actual return less expected return on assets	(656)	498	3,887
Experience gains arising on scheme liabilities	416	1,628	1,025
Changes in assumptions underlying the present value of scheme liabilities	(3,922)	720	(5,561)
Actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits	(4,162)	2,846	(649)

### History of scheme

The history of the scheme for the current and prior periods is as follows:

	2012 £'000s	2011 £'000s	2010 £'000s	2009 £'000s	2008 £'000s
Present value of scheme liabilities	31,610	26,407	26,842	21,113	23,014
Fair value of scheme assets	(23,053)	(21,575)	(19,260)	(14,272)	(16,595)
Deficit	8,557	4,832	7,582	6,841	6,419
History of experience gains and losses	2012	2011	2010	2009	2008
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	1.32%	6.17%	3.82%	0.03%	(0.37%)
Experience adjustments on scheme assets as a percentage of scheme assets	(2.85%)	2.31%	20.18%	(31.41%)	(13.59%)

## The Social Housing Pension Scheme

The Group also participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the State Pension Scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide". The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007, which, as both schemes are now closed to new entrants, continues to apply to current members.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution

rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions at the rate of 17.1%. Member contributions varied between 10.7% to 11.7%.

At the balance sheet date, there were 46 active members employed in the group. The annual pensionable payroll in respect of these members was £1,003,749.

## 27. Pensions (continued)

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 assets are co-mingled for investment purposes and benefits are paid out of total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

**The financial assumptions underlying the valuation as at 30 September 2008 were as follows:**

### Valuation Discount Rates

Pre retirement	7.8% pa
Non Pensioner Post retirement	6.2% pa
Pensioner Post retirement	5.6% pa
Pensionable earnings growth	4.7% pa
Price inflation	3.2% pa

### Pension Increases

Pre 88 GMP	0.0% pa
Post 88 GMP	2.8% pa
Excess over GMP	3.0% pa

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

**The valuation was carried out using the following demographic assumptions:**

- Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa
- Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa

**The long-term joint contribution rates required from April 2010 from employers and members to meet the cost of future benefit accrual were assessed at:**

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings with a 1/80th accrual rate	11.9

## 27. Pensions (continued)

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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). The Regulator provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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 buyout 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.

## 27. Pensions (continued)

### The Isle of Wight Council Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension scheme. The scheme is funded by the payment of contributions to a pension fund, which is administered by the Isle of Wight Council. The latest full actuarial valuation was carried out at 31 March 2012 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 20.8% of pensionable pay will apply for 2012/13 (2011/12: 20.8%).

The major assumptions used in this valuation were:

Actuarial assumptions	2012 %pa	2011 %pa	2010 %pa
Rate of increase in salaries	4.80	5.10	5.30
Rate of increase in pensions in payments and deferred pensions	2.50	2.80	3.80
Discount Rate	4.80	5.50	5.50
Inflation assumption - RPI	3.10	3.60	3.80
Inflation assumption - CPI	2.30	3.10	N/A

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.9 years (male), 25.7 years (female).
- Future retiree upon reaching 65: 24.9 years (male), 27.7 years (female).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and thus inherently uncertain, were:

	2012 £'000s	2011 £'000s	2010 £'000s
Equities	2,725	2,791	2,586
Bonds	896	814	790
Property	234	194	180
Other	39	78	36
Total market value of assets	3,894	3,877	3,592
Present value of scheme liabilities	(6,697)	(6,179)	(7,303)
Deficit in the scheme	(2,803)	(2,302)	(3,711)
Net pension liability	(2,803)	(2,302)	(3,711)

## 27. Pensions (continued)

Long term rate of return	2012 %	2011 %	2010 %
Equities	<b>6.30</b>	7.50	7.80
Bonds	<b>4.60</b>	4.90	5.00
Property	<b>4.40</b>	5.50	5.80
Cash	<b>3.50</b>	4.60	4.80

The market value of the scheme's assets (whole Fund) at 31 March 2012 was £334.8 million.

Recognition of defined benefit obligation	2012 £'000s	2011 £'000s
Opening defined benefit obligation	<b>6,179</b>	7,303
Current service cost	<b>40</b>	49
Interest cost	<b>334</b>	367
Contribution by Members	<b>11</b>	13
Actuarial losses/(gains)	<b>382</b>	(599)
Past service costs		(706)
Losses on curtailments	-	-
Estimated benefits paid	<b>(249)</b>	(248)
Deficit in scheme at end of year	<b>6,697</b>	6,179

Reconciliation of fair value of employer assets	2012 £'000s	2011 £'000s
Opening fair value of employer assets	<b>3,877</b>	3,592
Expected return on assets	<b>261</b>	252
Contributions by members	<b>11</b>	13
Contributions by employer	<b>167</b>	148
Actuarial (losses)/gains	<b>(173)</b>	120
Benefits paid	<b>(249)</b>	(248)
Total charged to operating cost	<b>3,894</b>	3,877

Expense recognised in Income and Expenditure Account	2012 £'000s	2011 £'000s
Current service cost	<b>40</b>	49
Interest cost	<b>334</b>	367
Expected return on employer assets	<b>(261)</b>	(252)
Past service costs	-	(706)
Losses on curtailments and settlements	-	-
Total	<b>113</b>	(542)

## 27. Pensions (continued)

The expense is recognised in the following line items in the Income and Expenditure Account:

	2012 £'000s	2011 £'000s
Operating costs	40	(657)
Other finance costs	73	115

The total amount recognised in the Statement of total recognised gains and losses in respect of actuarial gains and losses is £555,000 loss (2011: £719,000 gain).

Cumulative actuarial losses reported in the Statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £711,000 (2011: £156,000 loss).

### Change from Retail Prices Index to Consumer Prices Index

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Group's liabilities in the Isle of Wight Council Pension scheme by £706,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement.

### History of scheme

The history of the scheme for the current and prior periods is as follows:

	2012 £'000s	2011 £'000s	2010 £'000s	2009 £'000s	2008 £'000s
Fair value of scheme assets	3,894	3,877	3,592	2,664	3,366
Present value of funded liabilities	(6,697)	(6,179)	(7,303)	(4,879)	(5,076)
Deficit	(2,803)	(2,302)	(3,711)	(2,215)	(1,710)
<b>Experience adjustments</b>	<b>2012 %</b>	<b>2011 %</b>	<b>2010 %</b>	<b>2009 %</b>	<b>2008 %</b>
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	(1.82)	2.09	-	-	7.50
Experience adjustments on scheme assets as a percentage of scheme assets	(4.44)	3.10	23.33	(32.88)	(23.71)

The Association expects to contribute approximately £165,000 to its defined benefit scheme in the next financial year.

### The Zurich Assurance Limited Pension Scheme

The Group also participates in a defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.



## 28. Operating Leases

### Policy:

#### Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

#### Note:

Leasing rentals in respect of property amounting to £240,000 (2011: £255,000) and equipment £63,000 (2011: £7,000) were charged during the year. At 31 March 2012 the Association was committed to making the following payments in respect of operating leases:

Operating leases which expire:	Property 2012 £'000s	Equipment 2012 £'000s	Total 2012 £'000s	Total 2011 £'000s
Within one year		2	2	-
Within two to five years	112	94	206	130
Within five to ten years	128	-	128	128
	240	96	336	258

## 29. Legislative provisions

Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 31055R) and registered with the Tenant Services Authority and the Homes and Communities Agency and previously with the Housing Corporation under the Housing Act 1974 (Registered Number L4628).

## 30. Group organisations

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

<b>Southern Housing Group Limited</b>	Parent body
<b>Southern Home Ownership Limited</b>	
<b>Southern Space Limited</b>	
<b>Southern Development Services Limited</b>	
<b>Affinity Housing Services (Reading)</b>	Joint venture partnership with Windsor & District HA
<b>Triathlon Homes LLP</b>	Joint venture partnership with First Base 4 Stratford LLP and East Place Limited

## 31. Related parties

All transactions in respect of tenant board members have been carried out at arm's length and under normal commercial terms.

## 32. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with SHGL as its trustee. Permanent Endowment Funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The results include funds transferred from The Women's Housing Trust. These balances are included in the parent Association.

	Date of acquisition	Original cost £'000s	Number of units
Liverpool Road	1910	324	247
Jubilee Cottages	1935	707	28
Palliser Road	1927	973	57
Dalmeny Avenue	1935	493	82
Beech House	1936	701	16

### Fund balances are represented by

	2012 £'000s	2011 £'000s
Tangible fixed assets at cost	6,148	6,100
Less Social Housing and other grants	(5,609)	(5,609)
	539	491
Investments at valuation	702	687
	1,241	1,178

### Net income from permanent endowed assets

	2012 £'000s	2011 £'000s
Income from lettings	1,474	2,035
Less expenditure on letting activities	(1,058)	(1,239)
Surplus on letting activities	416	796
Income from Investments	10	10
	426	806

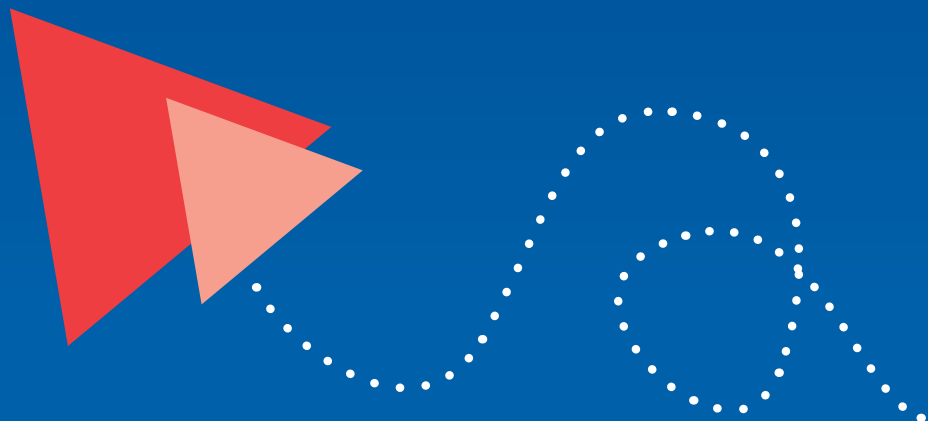
Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.



One of the Group's young residents at a regional 'you say, we do' roadshow

## Contact us

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Telephone **020 7017 8521** Fax **020 7553 6400**  
email **[communications@shgroup.org.uk](mailto:communications@shgroup.org.uk)** web **[www.shgroup.org.uk](http://www.shgroup.org.uk)**





Southern  
Housing  
Group



A year to be proud of

Group Financial Statements

Year ended 31 March 2013

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# The Board, Senior Executives and Advisers

Members of the Board and Committees of Southern Housing Group Limited as at 31 March 2013:

Group/Company	Southern Housing Group							SDSL	SHO	SSL
Committee		Board	R&M	Treasury	CSC	Audit	Development	Board	Board	Board
Andrew McIntyre		C	M	M						
Anthony Bourne		M	C	M				C		
Tom Dacey	CE	M						M		M
Chris Hampson		M	M		C					
Jim Hitch		M	M						C	C
Preth Rao		M			M	M				
Tim Richards		M					C			
Justin Chittock		M		C		M				
Malcolm Groves		M					M			
Paul Rees		M				C				
Steve Johnson		M			M					
Arthur Merchant		M				M				
Katherine Lyons									M	M
Hugh Stebbing									M	M
Dale Meredith	E								M	M
Rosemary Farrar	E							M		M

**C – Chair**   **M – Member**   **CE – Chief Executive**   **E - Executive**

## External Auditor

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

## Principal Bankers

National Westminster Bank Plc  
Corporate Banking  
Second Floor, County Gate 2  
Staceys Street  
Maidstone  
Kent ME14 1ST

## Secretary and Registered office

Kathryn Worth  
Fleet House  
59-61 Clerkenwell Road  
London  
EC1M 5LA

# Operating and Financial Review

31 March 2013

## Overview of the business

Southern Housing Group was established in 1901 and owns and manages more than 27,000 homes in London and the South East of England, over 40% of these in the high value central London boroughs. We provide housing for over 66,000 residents and employ over 900 people offering a range of housing options for rent and home ownership. We offer support to our residents through our social and economic investment work involving a variety of ground breaking projects.

We have a healthy pipeline of new housing stock and have contracted with the Homes and Communities Agency (HCA) during 2011/15 to develop homes under the new 'affordable housing' tenure.

The award winning Beveridge Mews development in London





## Group structure

Southern Housing Group Limited (SHGL) which is the parent organisation and Southern Home Ownership Limited (SHO) are Registered Providers (RPs) of affordable housing regulated by the HCA. Southern Space Limited (SSL) develops properties for outright sale. SSL has a one third share in Triathlon Homes LLP which will provide the long term affordable housing at the Olympic Village from July 2013 and SHGL has a 50% share in the Reading PFI. Southern Development Services Limited (SDSL) provides project delivery services for companies in the Group.

The consolidated financial statements are published on the Group's website **[www.shgroup.org.uk](http://www.shgroup.org.uk)**.

## Our objectives and strategies

The Southern Housing Group is committed to provide housing of a high quality to all in housing need. We aim to provide a first class housing management service to a range of tenures from affordable to mid-market rent levels. In this way we unlock the potential of people and places.

Our first priority is to meet the evolving needs of our residents as stated in our service standards. In order to do this and to continue to increase our new supply of housing we are developing a sophisticated asset management strategy which will maximise the use both of our property assets and our net rental income. We are building on a strong legacy and work to establish and strengthen relationships with the communities in which we operate.



## The year in brief: 2012/13

### External influences

The country's economy has remained stubbornly resistant to improvement as the recession continues.

Both the OECD and the IMF have issued gloomy commentaries on the state of the nation's finances during 2012/13 highlighting the continuing falls in construction output (IMF) and a high and substantial level of unemployment (OECD).

This backdrop creates a difficult operational climate for housing associations facing a further comprehensive spending review during the summer of 2013 where further reductions in public spending are sought. The previous 2010 spending review had reduced capital investment in housing from £8.4bn for the period 2008-11 to £4.5bn for 2011-15, a 63% cut in real terms. This represented the largest single cut to any capital budget across government which led to the lamentable shortage of new low cost homes produced in 2012/13 nationally - just 111,250 against a widely agreed needs estimate of 240,000.

The shortage of new supply of all housing has contributed towards a good year for the group's shared ownership and open market sales. Our new products have sold well and reached better than expected prices. There have been a number of Government initiatives to help stimulate the mortgage market, and we are optimistic that the "Help to Buy" product will further improve the mortgage supply for first time buyers.

The mid point of the Affordable Rent Programme 2011-15 is a good opportunity to take stock of our experience thus far. Affordable rent is not an appropriate product for the benefit dependant, particularly in the light of Welfare Reform. The new rental tenure has proved very popular with low paid working households but less popular with local authorities who, understandably, expect new provision by the housing association sector to contribute to easing their statutory responsibilities towards homeless people.

As a short term measure to keep the supply of new housing moving Affordable Rent has made a contribution but it is not sustainable in the long term. The equation of higher debt to compensate for loss of subsidy risks exhausting the sector's capacity for new provision and will result in housing associations suppressing development plans in order to restore financial strength to their balance sheets.

### Risks and uncertainties - our response

The economic situation coupled with the government's policy has presented a number of risks for the business. We have met these by applying conservative assumptions to a fresh approach.

We have revised our long term business plan to reduce the supply of new homes and are targeting a mix of market based products partially to subsidise the modest amount of affordable rented and shared ownership housing that we wish to continue to provide with little or no further capital subsidy. We have ensured that we are not reliant on market driven products and maintain an operating surplus on our core management activity independent of any market driven or sales income.

We are diluting our reliance on long term bank debt by looking to raise funds from institutional investors and have ensured at all times that we have a ready supply of inexpensive cash available to cover all new housing in the pipeline not just the projects in contract.

The economic downturn inevitably has a disproportionate effect upon our residents, who enter 2013/14 facing the challenges of Welfare Reform.

The Armouries, London





During 2012/13 our energies in the run up to the introduction of Welfare Reform have been concentrated on the twin objectives of improving our knowledge of our residents' circumstances and ensuring that the organisation has taken all possible measures to mitigate the potential impact of the changes. We have increased staffing levels in customer facing areas such as Financial Inclusion and Income Recovery and have made appropriately pessimistic projections in our business plan around debt. We have partnered with a specialist agency to improve the resident information database.

Further uncertainty relating to our income stream was presented until very recently by the regulated rent regime from 2015. We have managed this risk by reducing expected rental income inflation in our business plan going forward and the newly announced formula outperforms our assumptions.

The Affordable Rent programme has been a journey of discovery for the Group, and not without its challenges. However given our assessment of the new tenure we are delighted with the progress we have made and the outcome for our residents. We have prioritised working households but still housed 14% of applicants on benefits. The incomes of those we are housing – average £31,000 pa in London and £25,000 pa outside London – emphasise very well that this is an important contribution to the economy of London and the south east.

**Providing value for money (VfM)**

VfM is a key concept embodied within our Corporate Plan for 2012-2015.

The Group has a robust budgeting process that requires all managers to operate within agreed financial parameters whilst delivering improved outcomes for residents. We concentrate on delivering and demonstrating VfM on a case by case basis rather than developing a complex measurement system.

We are committed to the elimination of waste. During the past year we have re-staffed our Continuous Service Improvement (CSI) Team and worked with specialist consultants to eliminate waste from our key processes and ensure good quality outcomes for our residents.

The CSI team has supported a number of key projects to drive VfM improvements in areas such as recruitment and financial processes. These projects are effective at driving waste from our systems whilst improving outcomes for residents.

The Group has a small Procurement Team that provides support to managers who procure goods and services. This team is critical to obtaining good VfM from everything that the Group purchases. The team methodology includes a calculation to ensure that new contracts really will deliver improved VfM. In 2012/13 the Group procured contracts to a value of £49.3 million. Of these £33.3 million were non development EU compliant procurement projects. These projects secured measured cost savings totalling around £3.4 million which equates to around 10.2% overall. In addition the procurement team worked on smaller non EU contracts worth around £250,000 and delivered measured savings of around £75,000 equating to around 30%.

The Group sees VfM as a wider concept covering how we make the best use of our assets. All Departments operate together to ensure that we make the best use of the assets that we own.

We made significant cost savings in the year 2012/13 over the previous year without any damage in our quality of service.



The Vega building in Hove

## Financial value for money indicators

### Benchmarking: how we compare with others

	SHG 2012/13	SHG 2011/12	Peer Group Average 2011/12
Management costs per home £	1,184	1,156	1,201
All maintenance costs per home £	860	1,021	1,087
Service costs per home £	566	576	587
Total operating costs per home £	3,412	3,415	4,318
Social housing lettings Operating margin %	26%	23%	29%
Rent loss between lettings per home	1.50%	1.33%	0.96%
Overheads as percentage of income %	18%	23%	12.30%
Chief Executive pay per home £	6.57	6.77	
Ratio Chief Executive's emoluments to average staff emoluments (excl pension)	6.58:1	6.73:1	
Board and Executive pay per home £	31.73	33.07	
Current rent arrears as percentage of rent due -social housing properties	4.04%	4.08%	4.71%
Current rent arrears % - affordable housing properties	0.83%	N/A	
Average time in days to relet social housing property	23	23.46	28.96
<b>Resident satisfaction overall</b>	<b>84%</b>	<b>81%</b>	<b>80%</b>

## Value for money in our operational performance

Our operational performance is monitored by the Board and by our residents and is a critical focus of our Corporate Plan. We seek continuously to improve our operational performance through using system thinking principles, a methodology that is used to improve both the process and levels of performance.

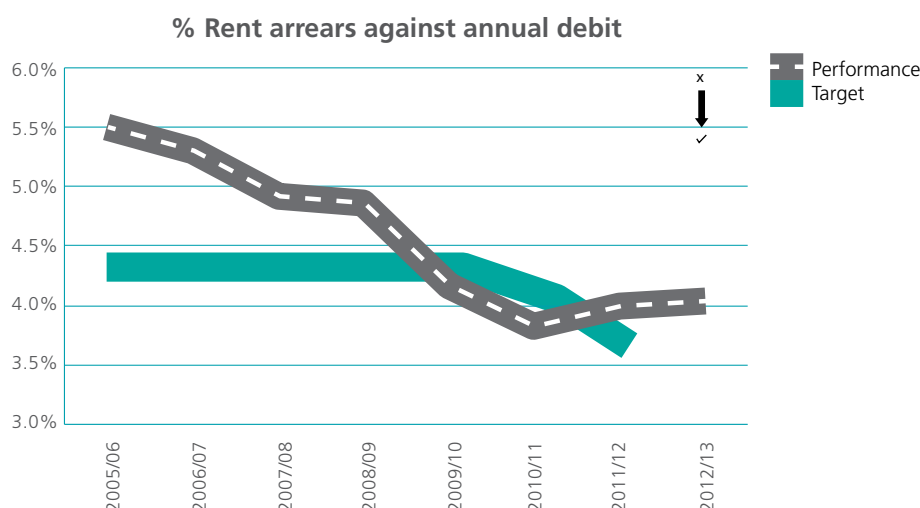
## Rent arrears

Following a period of sustained reduction rent arrears levels have held steady over the last three years.

This is a sound achievement when taking into account the financial pressures that residents are under as disposable incomes and benefit entitlements have reduced over this period.

Despite this, evictions as a result of rent arrears have reduced over the last year showing the general approach of early intervention and support through the financial inclusion service is working.

In response to the proposed introduction of Universal Credit we have put in place a fundamental review of our income collection process in order to identify the changes needed to ensure that our arrangements remain robust and effective. This work is being completed alongside the work of the Welfare Reform Strategy Group which has focused our approach to assessing the impact of the government's Welfare Reform changes as well as informing the action needed to minimise the potential adverse impact to the Group and to our residents.





## Properties to be re-let

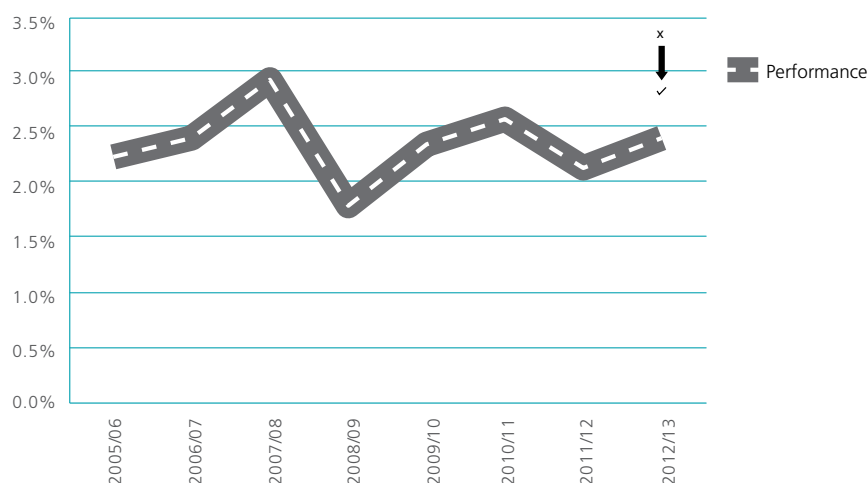
The speed with which we turn around our properties to be re-let fell slightly in 2012/13 following significant improvement in the previous two years.

This is the result of the implementation of changes to the structure of the lettings teams during the year to be better placed to manage the increased diversity of tenures within our portfolio.

Average void turnaround time (days)



% of units unlet

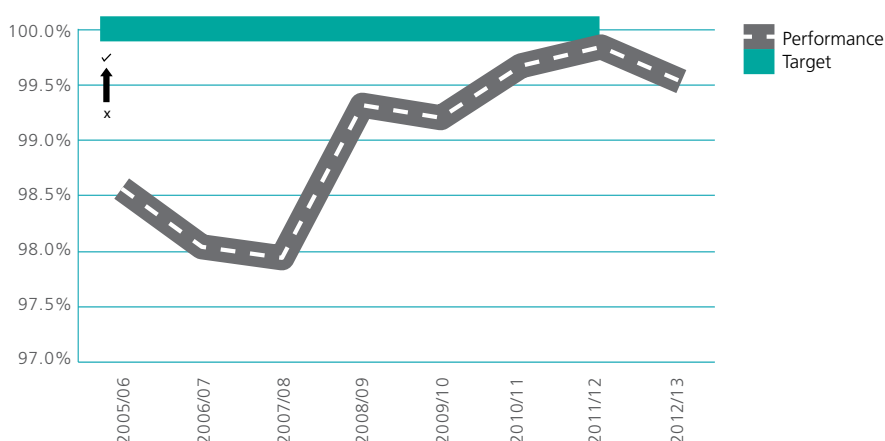


## Gas servicing

In 2012/13 we consistently achieved valid gas safety certificates for 99.8% of our homes despite a slight reduction in the year end position of 99.5%.

We continue to work with our service provider to strive to reach maximum compliancy.

Gas servicing: % of properties compliant



## Day to day repairs

Performance for emergency repairs saw 97.6% of requested work completed within 24 hours of being reported.

.....  
This high level of performance continues the trend of sustained improvement seen over the last seven years.

## Decent homes

Our comprehensive reinvestment programme enabled us to reach 100% decency in our housing stock by the required date of December 2010.

.....  
We continue to maintain 100% decency through our comprehensive programme of improvement works.

## Social and economic regeneration

Our social and economic regeneration work and the support we give to residents to improve their quality of life has always been important to Southern Housing Group. However in the light of current economic pressures and in particular taking into account the impact of the Government's welfare reform agenda this work has become increasingly central to our operations. Our main focus this year has been tackling financial exclusion and poverty. We have invested more of our resources into financial inclusion to support residents and in partnership with the voluntary sector in Hackney in particular we have secured £1m for a 5 year Big Lottery funded programme to improve financial confidence across the borough.

% Emergency repairs completed on time



We have established work experience and mentoring programmes and are developing a range of business and social enterprise opportunities for young people who have not benefitted from mainstream programmes.

We have supported 500 residents on their pathway to work, engaged 144 in training or volunteering opportunities and assisted 81 residents into paid employment.

## A greener future

'Towards a Greener Southern Housing Group', the Group's updated Environmental Sustainability Strategy was launched outlining the six objectives and priority areas for the next few years. Fuel poverty and providing comfortable, energy efficient homes with low running costs is central to the new strategy which also includes new objectives about Climate Change Adaptation and our positive environmental impact.

## Development performance

In 2012/13 we completed 822 new homes and started work on 92 during the year. There were 1,623 homes in the development pipeline at the end of the year

including 401 social rented, 420 for affordable rent, 46 for intermediate rent, 44 for market rent, 337 for shared ownership and 375 for market sale.

As a result of the Group's decision to limit its exposure to the new 'affordable rent' tenure there were fewer starts in 2012/13 although we continue to work through the pipeline of socially rented homes funded by grant allocated under previous programmes.

## Development highlights

The Group completed an impressive number of new homes in the year from the final phase of Parkside Place, the impressive urban redevelopment of the old Market Estate in Islington to Maison Dieu a niche development in Dover. In February the Prince of Wales, President of The Prince's Foundation for Building Community visited Highbury Gardens in Islington, a best practice example of how to successfully bring well designed homes to the Capital developed by the group in partnership with a private developer. The Group also entered the final stages of completing the 1,379 homes on the Olympic Village as part of Triathlon in the post Games era which are due to be available for rent later in 2013.



Tenure	2012/13		2011/12	
	Completions	Starts	Completions	Starts
Social Rent	434	24	214	0
Affordable Rent	55	16	0	148
Intermediate Rent	63	0	85	0
Shared Ownership	155	34	81	100
Market Sale	115	18	12	40
<b>Total</b>	<b>822</b>	<b>92</b>	<b>392</b>	<b>288</b>

## GOVERNANCE

### The Board

The Board is responsible for the business of Southern Housing Group which includes overseeing and directing our activities, formulating future strategies and plans, maintaining an overview and monitoring the work of its subsidiaries and committees. The Board meets four times per year for regular business and once for a seminar to discuss strategic issues. Board members serve a maximum of three continuous terms of three years. The Board members who served during the year are listed on page 1 and attendance at meetings on page 10.

The Board and each of its subsidiary Boards and Committees has detailed terms of reference which are established and monitored by the Parent Board. The terms of reference include the frequency of meetings which range from two to four meetings per year.

The Board fully supports and complies with the principles set out in the National Housing Federation's Code with the following exceptions:

- The shareholding membership of Southern Housing Group is limited to Board members only,

- The Group Chairman who is an internal appointment will recommence his term of nine years office when he takes on the role of Chairman in July 2013 in line with Southern Housing Group established policy.

Members of the SHGL Board are paid for their services to increase our ability to attract and retain high calibre members and to improve mechanisms for their performance appraisal and development.

### The current annual rates of payment are:

<b>Chairman:</b>	<b>£15,000</b>
<b>Member and Chairman of Committee or subsidiary Board:</b>	<b>£ 7,000</b>
<b>Member:</b>	<b>£ 5,000</b>

The level of Board member remuneration was last reviewed by the Remuneration and Nominations Committee during 2010/11 where it was determined that payment should be retained at the existing levels until the next review.

## COMMITTEES

### The Audit Committee

The Audit Committee reports to the Board on the operation of our risk management and internal control arrangements. It recommends the appointment of internal and external auditors, considers the scope of their work and the reports produced. It reviews in detail the annual financial statements and recommends them to the Board.

### The Customer Services Committee

The Customer Services Committee considers all matters relating to the provision of services to our residents. This includes considering strategic policies as well as reviewing operational performance covering all aspects of services provided to residents. It also considers the way in which we involve residents in service delivery and other aspects of our work. We have five regional Resident Services Panels (RSP) each of which is Chaired by a resident. Each panel meets on a quarterly basis to discuss the performance of the Group in its region. The Chairman of each panel is invited to sit on the Customer Services Committee ensuring that the RSPs play an integral part in the governance of the Group.

### The Development Committee

The Development Committee considers matters relating to our Development Strategy including the development of new properties and stock reinvestment. It also has oversight of the work of the Parkside Place (formerly known as Market Estate) Committee and monitors performance in relation to property sales and first lettings of intermediate rent properties.

## The Remuneration and Nominations Committee

The Remuneration and Nominations Committee considers matters relating to Board remuneration, recruitment of new Board, subsidiary Board and Committee members, succession planning for all Boards and Committees, skills training, salary structure, pension arrangements, senior staff remuneration, non contractual benefits for all staff and the assessment of the performance of the Board and its Members and its subsidiary Boards and Committees and their Members. Succession planning helps to balance the composition of the Boards and Committees in order to reflect the profile of our residents and to ensure that there is the correct mix of skills on each Committee and Board.

## The Treasury Committee

The Treasury Committee considers in detail all aspects of treasury management including the Treasury Strategy, long term funding requirements and ensures that loan covenants are maintained.

## Board attendance and significant other directorships

Group/ Company	Southern Housing Group						
	Board	Remuneration Nominations	Treasury	Customer Services	Audit	Development	Other Directorship
Andrew McIntyre	4 (5)	3 (3)	1 (4)				Ernst & Young Trustees Ltd.
Anthony Bourne	4 (5)	3 (3)	3 (4)				BMJ Publishing Group Bioquell PLC Barchester Grove Limited
Tom Dacey	5 (5)						
Chris Hampson	5 (5)	3 (3)		4 (4)			Look Ahead Housing & Care
Jim Hitch	5 (5)	3 (3)					English Language Service Ltd.
Preth Rao	5 (5)			4 (4)	4 (4)		
Tim Richards	5 (5)					4 (4)	Aston Rose (West End) Ltd.
Justin Chittock	5 (5)		4 (4)		4 (4)		Linden Business Consulting Ltd.
Malcolm Groves	5 (5)					3 (4)	Island Cottages Ltd. Sustainable Chale Ltd. Chale Recreation Ground Ltd. IOW County Club Ltd. Independent Arts Ltd. Osborne Court Mgt. (Wokingham) Ltd.
Paul Rees	4 (4)				4 (4)		Chairman of CAB Waverley Board Member CAB Surrey, Trustee of Greensleeves Homes Trust Chair of Audit Committee, RCN
Steve Johnson	2 (2)			1 (2)			Independent Advice Services Ltd Advanced Case Management Solutions Ltd. VCS Insurance (Guernsey) Ltd. Advice Services Alliance LawWorks The Access to Justice Foundation The School for Social Entrepreneurs The Change Account Mutual Partnership (Committee Member)
Arthur Merchant	1 (1)				2 (2)		Director – Hertfordshire Chamber of Commerce, Aster Housing Group and subsidiary Synergy Housing Group, Raven Housing Trust
<b>Members who have retired during the year</b>							
Jane Hives	1 (1)		1 (1)		1 (1)	1 (1)	
Lara Oydele	0 (1)		0 (1)			0 (1)	

Number of meetings attended out of (Total number possible for individual)





Group/Company	SDSL
Committee	Board
Anthony Bourne	1 (1)
Tom Dacey	1 (1)
Rosemary Farrar	0 (0)
<b>Members who have retired during the year</b>	
Alene Wilton	1 (1)

Number of meetings attended out of (Total number possible for individual)

Group/Company	SHO
Committee	Board
Jim Hitch	2 (2)
Katherine Lyons	2 (2)
Hugh Stebbing	2 (2)
Dale Meredith	2 (2)
<b>Members who have retired during the year</b>	
Jane Hives	1 (1)

Number of meetings attended out of (Total number possible for individual)

Group/Company	SSL
Committee	Board
Jim Hitch	4 (4)
Katherine Lyons	4 (4)
Hugh Stebbing	4 (4)
Dale Meredith	4 (4)
Tom Dacey	3 (4)
Rosemary Farrar	4 (4)
<b>Members who have retired during the year</b>	
Jane Hives	1 (1)

Number of meetings attended out of (Total number possible for individual)

## Accounting policies

There have been no significant changes to the accounting policies in the year.





## Financial performance

### Group Financial Results, Five year summary

#### Balance Sheet

Group	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Housing properties at cost less depreciation	1,737.4	1,659.2	1,631.1	1,572.6	1,503.8
Less: Social Housing and other grants	(881.9)	(847.5)	(839.6)	(782.4)	(737.6)
	855.5	811.7	791.5	790.2	766.2
Other tangible fixed assets	39.5	39.9	40.4	39.8	38.4
Investments excluding JV liabilities	103.0	100.1	87.1	105.5	3.3
Net current assets/(liabilities) including JVs	72.2	80.2	41.4	7.4	25.9
	1,070.2	1,031.9	960.4	942.9	833.8
Loans due after one year	737.9	741.7	689.0	686.4	580.8
Other long term liabilities	22.9	15.8	9.7	20.2	23.5
Reserves	309.4	274.4	261.7	236.3	229.5
	1,070.2	1,031.9	960.4	942.9	833.8
<b>Statistics</b>					
Operating margin	30%	23%	26%	21%	21%
Interest cover	226%	216%	174%	143%	138%
Gearing	62%	66%	62%	66%	59%
Units of accommodation in management	27,953	27,213	25,847	25,480	25,089

#### Income and Expenditure account

	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
<b>Total turnover</b>	<b>186.3</b>	<b>140.2</b>	<b>130.4</b>	<b>134.0</b>	<b>128.1</b>
Less: share of joint ventures' turnover	(5.6)	(5.1)	(0.6)	(0.3)	(0.3)
<b>Group and Association turnover</b>	<b>180.7</b>	<b>135.1</b>	<b>129.8</b>	<b>133.7</b>	<b>127.8</b>
Operating costs excluding impairment	(121.9)	(102.3)	(96.7)	(99.9)	(99.8)
Impairment	(4.8)	(1.6)	0.4	(6.3)	(3.9)
<b>Operating costs</b>	<b>(126.7)</b>	<b>(103.9)</b>	<b>(96.3)</b>	<b>(106.2)</b>	<b>(103.7)</b>
<b>Operating surplus</b>	<b>54.0</b>	<b>31.2</b>	<b>33.5</b>	<b>27.5</b>	<b>24.1</b>
Share of operating surplus in joint venture	3.4	4.0	-	-	-
<b>Operating surplus incl. joint ventures</b>	<b>57.4</b>	<b>35.2</b>	<b>33.5</b>	<b>27.5</b>	<b>24.1</b>
Surplus on sale of fixed assets	13.4	10.4	6.3	4.6	6.7
Net interest payable and similar charges	(27.7)	(24.5)	(28.2)	(24.1)	(22.2)
Fair value writeback	-	-	9.5	-	-
Joint venture net interest	(3.4)	(2.9)	-	-	-
Tax on surplus on ordinary activities	(0.9)	(0.3)	-	-	-
<b>Surplus for the year</b>	<b>38.8</b>	<b>17.9</b>	<b>21.1</b>	<b>8.0</b>	<b>8.6</b>
Operating margin	30.8%	25.1%	25.7%	20.5%	18.8%
Operating margin excluding impairment	33.4%	26.2%	25.4%	25.2%	21.9%

## Income and Expenditure account: Core Activities

	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
<b>Total turnover</b>	<b>133.4</b>	<b>124.6</b>	<b>119.9</b>	<b>116.5</b>	<b>106.4</b>
Operating costs excluding impairment	(94.9)	(94.3)	(87.7)	(87.3)	(82.6)
Impairment	(2.9)	(1.5)	0.3	(5.8)	(2.9)
<b>Operating costs</b>	<b>(97.8)</b>	<b>(95.7)</b>	<b>(87.4)</b>	<b>(93.1)</b>	<b>(85.5)</b>
<b>Operating surplus</b>	<b>35.6</b>	<b>28.9</b>	<b>32.5</b>	<b>23.4</b>	<b>20.9</b>
Net Interest payable	(27.7)	(24.5)	(28.2)	(24.1)	(22.2)
Tax on surplus on ordinary activities	(0.9)	(0.3)	-	-	-
<b>Surplus for the year</b>	<b>7.0</b>	<b>4.1</b>	<b>4.3</b>	<b>(0.7)</b>	<b>(1.3)</b>
Operating margin	<b>26.7%</b>	23.2%	27.1%	20.1%	19.6%
Operating margin excluding impairment	<b>28.9%</b>	24.4%	26.9%	25.1%	22.4%

## Income and Expenditure account: Property Sales & Joint Ventures

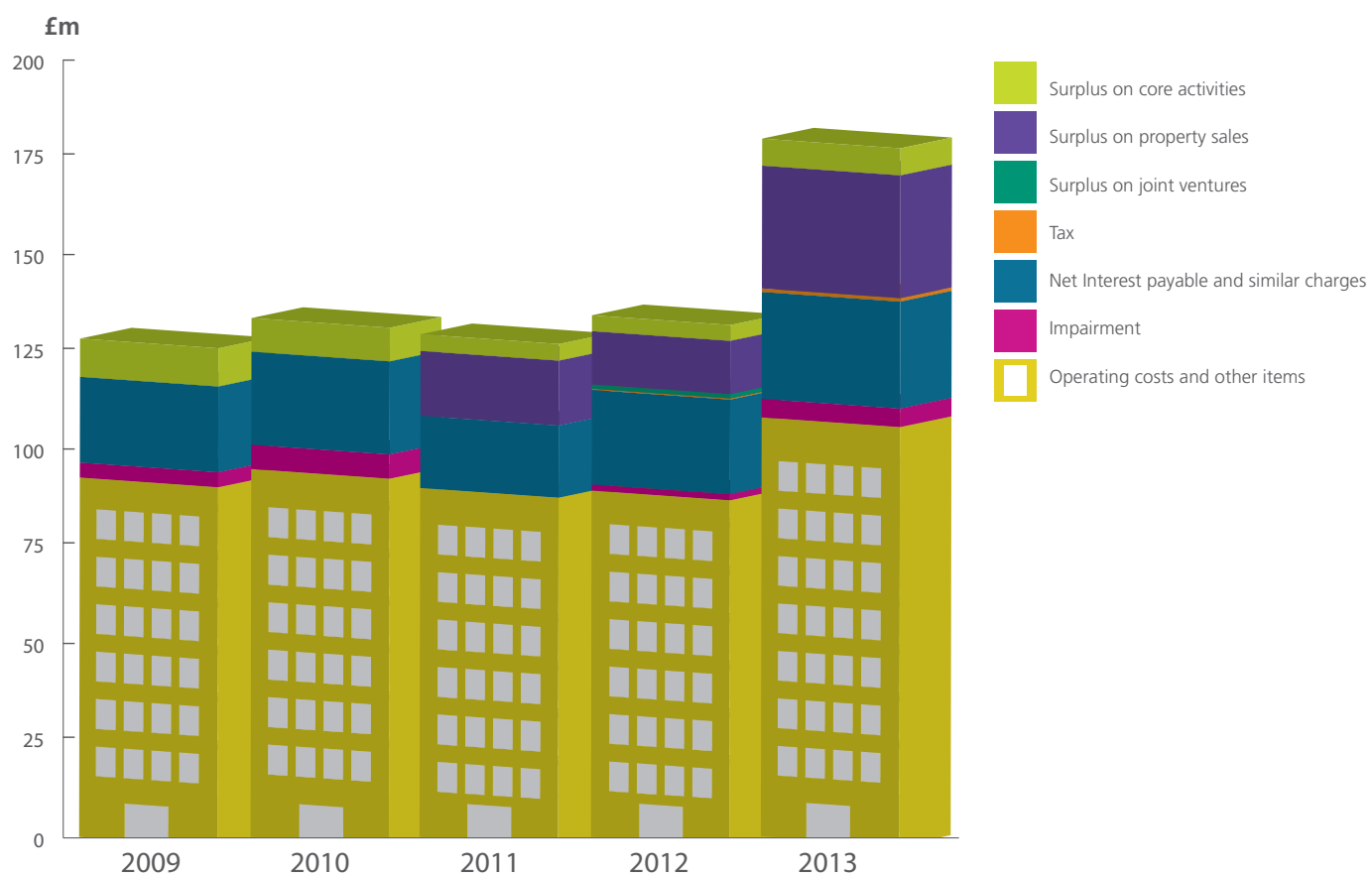
	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
<b>Total turnover - Group</b>	<b>52.9</b>	<b>15.5</b>	<b>10.6</b>	<b>17.5</b>	<b>21.7</b>
<b>Turnover excl. joint ventures</b>	<b>47.3</b>	<b>10.5</b>	<b>9.9</b>	<b>17.2</b>	<b>21.4</b>
Operating costs excluding impairment	(27.0)	(8.1)	(9.0)	(12.6)	(17.2)
Impairment	(1.9)	(0.1)	0.1	(0.5)	(1.0)
<b>Total operating costs</b>	<b>(28.9)</b>	<b>(8.2)</b>	<b>(8.9)</b>	<b>(13.1)</b>	<b>(18.2)</b>
<b>Operating surplus on property sales</b>	<b>18.4</b>	<b>2.3</b>	<b>1.0</b>	<b>4.1</b>	<b>3.2</b>
<b>Operating surplus incl. joint ventures</b>	<b>21.8</b>	<b>6.3</b>	<b>1.0</b>	<b>4.1</b>	<b>3.2</b>
Surplus on sale of fixed assets	<b>13.4</b>	<b>10.4</b>	<b>6.3</b>	<b>4.6</b>	<b>6.7</b>
Fair value writeback	-	-	9.5	-	-
Joint venture interest payable	(3.4)	(2.9)	-	-	-
<b>Surplus for the year</b>	<b>31.8</b>	<b>13.8</b>	<b>16.8</b>	<b>8.7</b>	<b>9.9</b>
Operating margin	<b>41.2%</b>	40.6%	9.4%	23.4%	14.7%
Operating margin excluding impairment	<b>44.8%</b>	41.3%	8.5%	26.3%	19.4%

NB: 1. The accounts for 2008/09 reflect the adoption of the Statement of Recommended Practice 2008 (SORP), which resulted in a change in the accounting policy for the first tranche sales of shared ownership properties. The tables above have been restated to show the effect on the results and balance as though the policy were in force in previous years.

2. The accounts for 2010/11 reflect the adoption of the Statement of Recommended Practice (SORP) 2010 update, which resulted in a change of policy for the treatment of negative goodwill arising on acquisition. The tables above have been restated to show the effect on the results and balances as though the policy were in effect in previous years.



## Group Performance 2009-2013



### Turnover and operating surplus

Turnover has increased by £45.6m (34%) in 2012/13 whilst operating costs have increased by £22.8m (22%). This has increased the operating margin to 31%. Much of this increase in income however was the result of excellent property sales and the underlying performance of the core operations improved more steadily by 24% on last year from 23% to 27%.

### Surplus

The 2012/13 surplus of £38.8m shows a strong performance for the Group. There is an underlying increase in surplus on core activities of £3.0m compared with the year to 31 March 2012 and an additional £17.9m (130%) in surplus on sales of property.

Like other social housing providers which continue to develop new social housing for rent the Group develops this with a mixture of housing for outright market sale and shared ownership. Profits on housing sold are used to cross subsidise our social housing. During 2012/13 the Group also sold a limited amount of social housing assets to other registered providers as part of a geographical stock rationalisation programme.

### Reserves

Our surplus of £38.8m has resulted in accumulated revenue reserves growing to £309.4m at 31st March 2013. We will invest this in providing new homes, having ensured that we are able to cover the ongoing high quality of our homes and services.

## Use of reserves

	2013		2012	
	£m	%	£m	%
Investment in Housing stock	1,737		1,659	
Other net Assets	39		57	
	1,776		1,716	
Funded by:				
Reserves	309	17%	274	16%
Grants	882	50%	847	49%
Loans (net of cash)	585	33%	595	35%
Total Funding	1,776	100%	1,716	100%

## Impairment

We have reviewed the values of assets included in the Balance Sheet in light of current economic conditions to ensure that these values do not exceed the future benefits from the continued use of these assets. In particular we have reviewed the current values of our land held for future development to make sure that where the expected benefits will not reach the original values we have reduced these to the level of those expected benefits. The net effect of this has been to charge £4.8m impairment (2012: £1.6m).

## Pension costs

The most recent Southern Housing Group scheme triennial valuation was completed during the year 2010/11. An up to date valuation is expected early in 2013/14. The Group is currently planning for the effect of the new 'auto enrolment' legislation which will become effective for SHG from October 2013.

## Gift aid

In recent years Group policy has been to gift aid most surpluses from subsidiaries at a level to minimise their Corporation Tax liability. This year SHO has gift aided £18.5m (2012: £6.6m) and has retained a profit of £4.6m to be taxed in order to boost its reserves by the net £3.9m. SSL gift aided £1m (2012: £0.9m) and SDSL gift aided £1.5m (2012: £1.4m) to the Group.

## Interest

Net interest payable has increased by £3.2m in the year but remains at historically low rates.

## Tangible fixed assets

The value of housing properties at cost has increased to £1,818m (2012: £1,730m) due to the completion of over 180 affordable new homes.

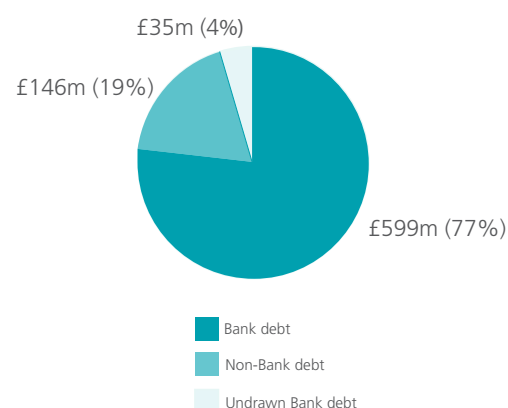
## Loans

Housing loans have decreased by £3m during the year to £745m. Cash balances held at 31 March 2013 were £6m greater than at 31 March 2012.

## Treasury management

As at 31 March 2013 the group had £780m of committed debt funding with £745m drawn (2012/13: £748m). The group seeks to hold a diversified debt portfolio with 20% coming from the capital markets (2012/13: 19%) and 80% from banks and building societies (2012/13: 81%).

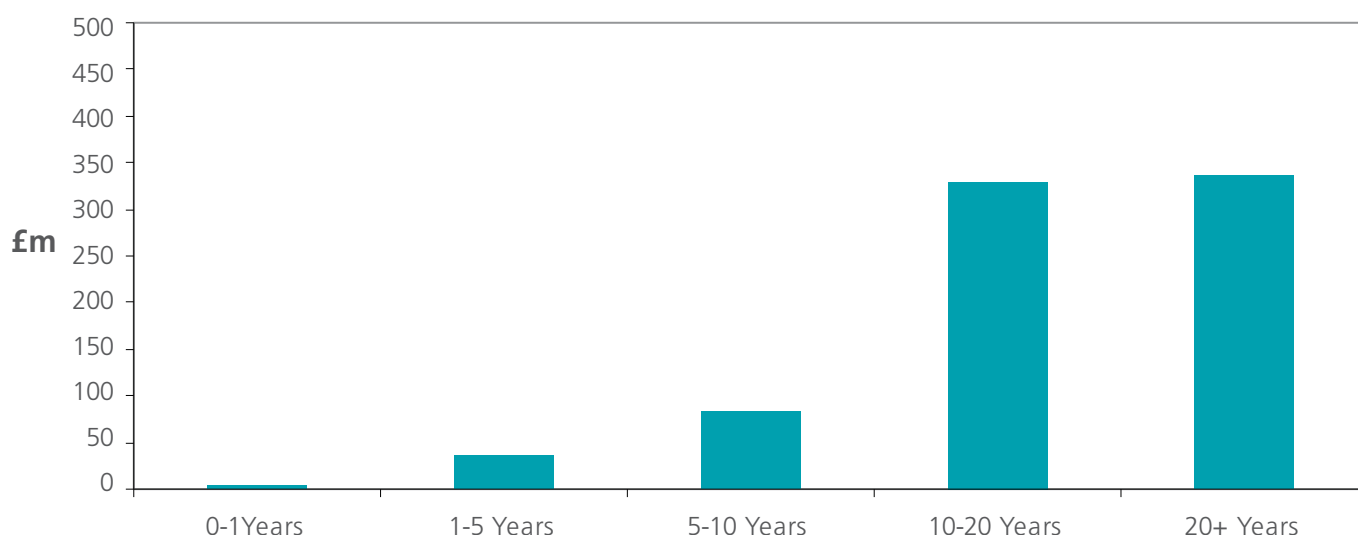
Group Funding Profile -  
at 31 March 2013



The Group has limited refinancing risk in the next five years with less than 10% of the debt maturing during this period.



### Group Debt Maturity Profile at 31 March 2013



As at 31 March 2013 the Group had available £35m undrawn funds and £156m cash in hand being total liquidity of £191m which is sufficient to fund all contractual commitments and in addition all non contracted pipeline schemes.

The Group's Treasury Management Policy sets out the framework within which we work to protect against and control risk and exposure in respect of our borrowings and cash holdings.

In order to achieve this, the Policy provides a strategy for:

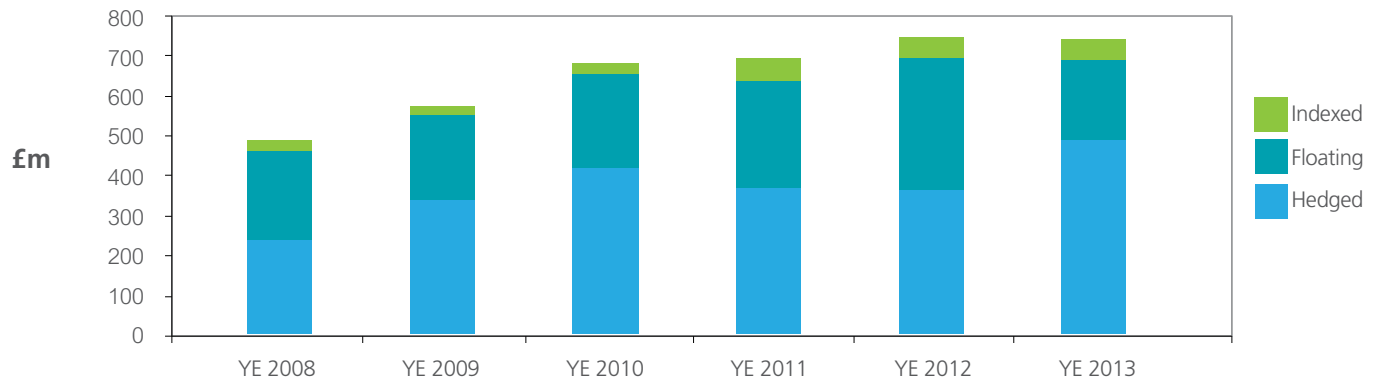
- i) Group borrowings and subsequent debt management.
- ii) Investment of surplus funds - both short and long term.
- iii) Relationship with bankers, lenders and advisors.

All the registered providers in the Group have the ability in their rules to manage interest rate risk. A total of seven stand alone derivatives have been transacted by SHGL with a notional principal of £225m which have continued to provide a saving in interest cost during 2012/13. We do not use derivatives for speculative purposes or in such a way that exposes the Group further to market forces. The Treasury Committee regularly reviews the creditworthiness of the parties with whom we do business.

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

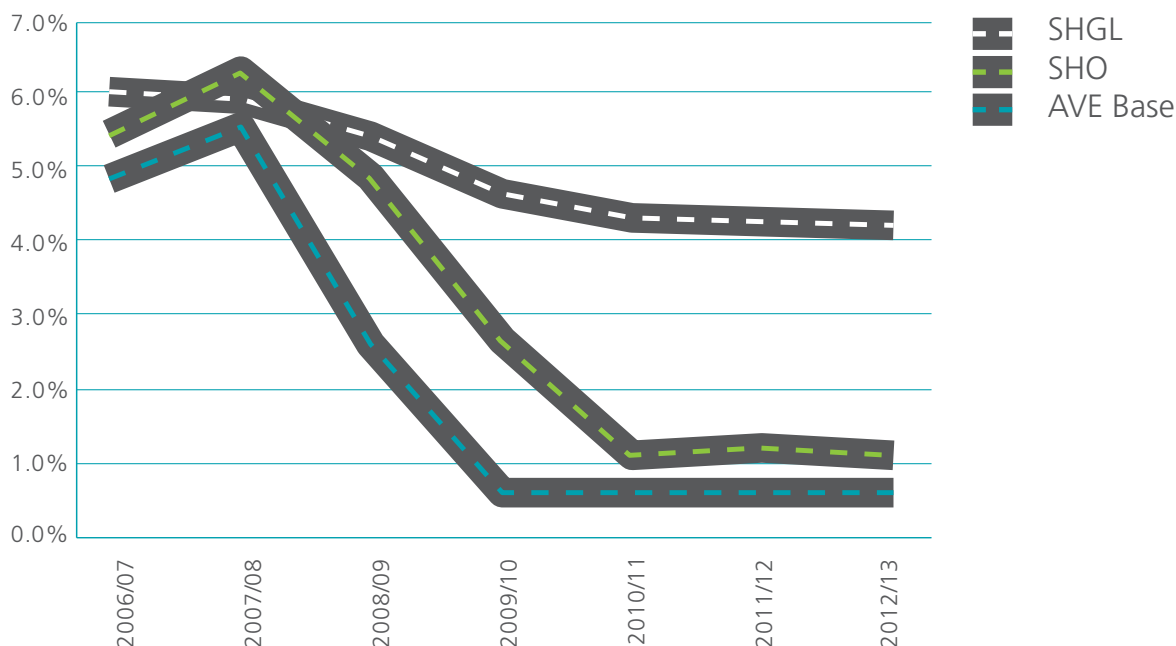


### Southern Housing Group- Interest Exposure Profile



The average cost of interest for the Group during the year was 4.2% (2011/12: 4.2%) which continues to reflect the low interest rate environment.

### Southern Housing Group - Average Interest Rates



The Group has specific named authorised deposit counterparties where the maximum exposure and terms limits are £10m up to 12 months or £15m up to 3 months. For other non-named deposit counterparties where at the time of the investment hold a short-term credit rating of a-1/P-1/F1 (or better) the maximum exposure and terms limits are £3m up to 6 months or £5m up to 3 months. For deposits with the Group's principal clearing bank there is no maximum deposit amount for terms not exceeding 3 months.

## Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the 2010 SORP, Accounting for Registered Social Housing Providers.

# Report Of The Board

For the year ended 31 March 2013

## Statement of Board's Responsibilities

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

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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.

Unique designs are key to our developments



The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable it to ensure that the financial statements comply with the Friendly and Industrial & Provident Societies Act 1968 and the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It has general responsibility for taking reasonable steps 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 society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Corporate governance

The Board confirms that the Group has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance.

### Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage and reduce, rather than to eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss. We operate ongoing processes for identifying, evaluating and managing the significant risks faced by the Group. They have been in place for the year to 31 March 2013 and up to the date of the approval of the Annual Report and the Financial Statements. The processes are reviewed at least annually by the Board and twice annually by the Audit Committee.

The Food Bank at  
Barking Riverside





## Risk assessment

Our objectives are contained within the Corporate Plan. There is a process for cascading these objectives throughout the organisation to each operational team and to individual employees' objectives. Assessment of resultant risk is mapped for each entity within the group. Our risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval.

## Control environment

Authority, responsibility and accountability are set out in the following ways:

- standing orders and delegated authorities
- policies and procedures manuals in all key areas
- codes of conduct for members of Boards and committees, and for staff
- staff job descriptions and supervisory procedures

## Information

There is a timely system for reporting on progress against our plans. The Boards and their committees receive regular and extensive reports on all key areas of performance.

## Monitoring

We have a comprehensive internal audit programme which is undertaken by KPMG, Chartered Accountants. The internal audit programme is designed to review key areas of risk. The internal auditors report to the Director of Compliance. Each audit assignment is sponsored by a senior director who approves the scope of work and takes responsibility for ensuring that recommendations are acted upon. Progress on completing work on recommendations is monitored by the Director of Compliance. KPMG meets quarterly with the Chief Executive and reports to each meeting of the Audit Committee on their recent and prospective activity. They also meet informally with the Chair of Audit Committee.

The risk management process incorporates reviews of high level risks across the Group, including the identification of newly emerging risks.

Both the internal audit and risk management activities incorporate follow up reporting on actions identified, thereby improving the control environment.

## Review of effectiveness

The Board has reviewed the effectiveness of the internal controls through the work of the Audit Committee, which reports

regularly to the Board. In addition the Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the year under review and up to the date of approval of this report. The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2013 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

## Disclosure of information to auditors

The Board members who held office at the date of approval of this Board members' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Board member has taken all the steps that 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 auditors are aware of that information.

## Auditors

A resolution is to be proposed at the annual general meeting for the reappointment of PricewaterhouseCoopers LLP as the auditor.

**Andrew McIntyre**  
Chairman  
On behalf of the Board  
8 July 2013



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN HOUSING GROUP LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements (the "financial statements") of Southern Housing Group Limited for the year ended 31 March 2013 which comprise the Consolidated and Association Income and Expenditure Account, the Consolidated and Association Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Association Statement of Total Recognised Surpluses and Deficits, the Consolidated and Association Statement of Historical Cost Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Group Board's Responsibilities set out on pages 18-20, the 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 (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the association members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume

responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2013 and of the group's and association's income and expenditure and the group's cash flows for the year then ended; and

- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

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



#### Kim Green

(Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and**  
**Statutory Auditors**  
**London**

10 July 2013

The maintenance and integrity of the Southern Housing Association Limited (of 'Southern Housing Group') website is the responsibility of the group board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Audited Financial Statements of the Group

## Income and Expenditure Accounts

	Note	Group	Group	Association	Association
		2013	2012	2013	2012
		£000s	£000s	£000s	£000s
Total turnover		186,257	140,170	161,431	132,392
Less: share of joint ventures' turnover		(5,553)	(5,032)	-	-
<b>Group and association turnover</b>	2	<b>180,704</b>	135,138	<b>161,431</b>	132,392
Operating costs	2	(126,706)	(103,937)	(108,041)	(98,566)
<b>Operating surplus</b>		<b>53,998</b>	31,201	<b>53,390</b>	33,826
Share of operating surplus in joint ventures	13	3,363	4,024	-	-
<b>Total operating surplus including share in joint ventures</b>		<b>57,361</b>	35,225	<b>53,390</b>	33,826
Surplus on sale of fixed assets	5	13,351	10,422	9,281	6,560
Interest receivable and other income	6	2,174	4,409	1,931	4,270
Interest payable and similar charges					
Group	7	(29,582)	(28,880)	(29,285)	(28,609)
Joint ventures	7	(3,356)	(2,940)	-	-
Other finance costs	8	(291)	(58)	(291)	(58)
<b>Surplus on ordinary activities before taxation</b>	9	<b>39,657</b>	18,178	<b>35,026</b>	15,989
Tax on surplus on ordinary activities	10	(904)	(260)	-	-
<b>Surplus for the year</b>		<b>38,753</b>	17,918	<b>35,026</b>	15,989

All turnover and operating costs for the current and prior years are attributable to continuing operations. The notes on pages 26 to 63 form part of these financial statements.

## Statement of Total Recognised Surpluses and Deficits

	Note	Group	Group	Association	Association
		2013	2012	2013	2012
		£000s	£000s	£000s	£000s
Surplus for the year from parent and subsidiaries		38,746	16,834	35,026	15,989
Share of surplus in joint ventures		7	1,084	-	-
<b>Surplus for the year</b>		<b>38,753</b>	17,918	<b>35,026</b>	15,989
Unrealised surplus/(deficit) on investments	24	424	(462)	424	(462)
Actuarial loss relating to pension schemes	27	(4,215)	(4,717)	(4,215)	(4,717)
<b>Total recognised surplus relating to the year</b>		<b>34,962</b>	12,739	<b>31,235</b>	10,810

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

## Balance Sheets

	Note	Group	Group	Association	Association
		2013	2012	2013	2012
		£000s	£000s	£000s	£000s
<b>Tangible fixed assets</b>					
Housing properties at cost less depreciation	11	1,737,353	1,659,158	1,644,604	1,565,738
Less: Social Housing Grant and other grants	11	(881,873)	(847,434)	(831,996)	(796,141)
Net book value of housing properties		855,480	811,724	812,608	769,597
Other tangible fixed assets	12	39,546	39,947	39,171	39,563
Total tangible fixed assets		895,026	851,671	851,779	809,160
<b>Investments</b>					
Investments at market value	13	12,644	12,305	12,644	12,330
Investment in subsidiaries	13	-	-	11,599	9,980
Investment in joint ventures - share of gross assets	13	88,958	86,345	25	-
Investment in joint ventures - share of gross liabilities	13	(87,512)	(84,827)	-	-
Investment properties	13	926	926	926	926
Homebuy and starter home initiatives	13	9,171	9,500	300	300
Less: Social Housing Grant	13	(8,714)	(8,998)	(300)	(300)
		910,499	866,922	876,973	832,396
<b>Current assets</b>					
Properties for sale	14	29,952	49,988	17,825	28,177
Debtors	15	23,273	22,237	28,508	21,116
Cash at bank and in hand		155,986	149,726	121,364	140,467
		209,211	221,951	167,697	189,760
<b>Creditors: amounts falling due within one year</b>	16	(49,520)	(56,954)	(35,687)	(46,440)
<b>Net current assets</b>		159,691	164,997	132,010	143,320
<b>Total assets less current liabilities</b>		1,070,190	1,031,919	1,008,983	975,716
<b>Creditors: amounts falling due after more than one year</b>					
Housing loans	17	737,945	741,706	700,306	703,881
Recycled capital grant fund	18	6,002	2,707	2,686	893
Disposal proceeds fund	19	166	292	166	292
Deferred income	20	1,181	1,373	1,181	1,373
<b>Provisions for liabilities and charges</b>	21	52	91	25	25
<b>Net pension liability</b>	27	15,493	11,360	15,493	11,360
<b>Capital and reserves</b>					
Share capital	22	-	-	-	-
Revenue reserves	23	306,671	272,133	286,446	255,635
Revaluation reserves	24	2,250	1,826	2,250	1,826
Designated and restricted reserves	25	430	431	430	431
		1,070,190	1,031,919	1,008,983	975,716

The notes on pages 26 to 63 form part of these financial statements. These financial statements were approved by the Board on 8 July 2013.

Signed on behalf of the Board



**Andrew McIntyre**  
Chairman



**Paul Rees**  
Board Member



**Kathryn Worth**  
Secretary



## Consolidated Cash Flow Statement

	Note	2013 £000s	2012 £000s
<b>Net cash inflow from operating activities</b>	(a)	<b>89,466</b>	26,152
Interest received Group		1,857	3,976
Interest received from Joint Venture		317	433
Interest paid		(31,173)	(29,971)
Other finance costs		-	(58)
<b>Returns on investments and servicing of finance</b>		<b>(28,999)</b>	(25,620)
Housing properties purchased		(124,612)	(57,018)
Capital grants received		38,893	18,600
Other fixed assets purchased		(2,137)	(2,437)
Housing and other fixed asset sale receipts		36,769	27,129
<b>Capital expenditure</b>		<b>(51,087)</b>	(13,726)
Investment sale/(purchase)		209	(1,919)
<b>Financial investment</b>		<b>209</b>	(1,919)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>	(b)	<b>9,589</b>	(15,113)
<b>Financing and management of liquid resources</b>			
Debt due within one year	(c)	467	340
Debt due after one year	(c)	(3,796)	52,477
		(3,329)	52,817
<b>Increase in cash in the year</b>	(c)	<b>6,260</b>	37,704



The launch of one of our new games facilities in London

## Notes to the Consolidated Cash Flow Statement

### a) Reconciliation of operating surplus to net cash inflow from operating activities

	2013	2012
	£000s	£000s
Operating surplus	57,361	35,225
Depreciation charges	16,938	15,820
Share of Joint venture surplus	(3,363)	(4,024)
Impairment	4,662	1,626
Decrease/(Increase) in stock of homes for re-sale	17,334	(33,255)
(Increase)/decrease in debtors	(3,115)	1,612
(Decrease)/increase in creditors	(312)	9,129
(Decrease)/increase in provisions for liabilities and charges	(39)	19
<b>Net cash inflow from operating activities</b>	<b>89,466</b>	<b>26,152</b>

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

	2013	2012
	£000s	£000s
Increase in cash in the year	6,260	37,704
Cash inflow/(outflow) from:		
New loans	-	(55,730)
Loan repayments	3,329	2,913
Change in net debt resulting from cashflows	9,589	(15,113)
Change in net debt resulting from non cashflows	(35)	(197)
Movement in net debt in the year	9,554	(15,310)
Net debt at the start of the year	(595,480)	(580,170)
<b>Net debt at the end of the year</b>	<b>(585,926)</b>	<b>(595,480)</b>

### c) Analysis of net debt

	At 1 April	Non Cash Flow	Cash flow	At 31 March
	2012			2013
	£000s	£000s	£000s	£000s
Cash at bank and in hand	149,726	-	6,260	155,986
Debt due within one year:				
Housing loans	(3,500)	-	(467)	(3,967)
Debt due after more than one year:				
Housing loans	(741,706)	(35)	3,796	(737,945)
<b>Net debt</b>	<b>(595,480)</b>	<b>(35)</b>	<b>9,589</b>	<b>(585,926)</b>



## Notes to the financial statements

For the year ended 31 March

### 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Generally Accepted Accounting Standards, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2010, the Accounting Direction for Social Housing in England from April 2012, and on the historical cost basis (as modified by the revaluation of certain investments). The accounting policies have been consistently applied.

Each accounting policy adopted by the Board of Directors of the Southern Housing Group is presented as an introduction to the note to the Financial Statements to which the policy applies.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Southern Housing Group Limited (SHGL) (Parent Body), Southern Home Ownership Limited (SHO), Southern Space Limited (SSL) and Southern Development Services Limited (SDSL) and are consolidated in accordance with Industrial and Provident Societies (Group Accounts) Regulations 1969 and the Accounting Direction for Social Housing in England from April 2012. The Group has taken advantage of the exemption in FRS 8 - 'Related Party Disclosures' and has therefore not disclosed transactions of balances with entities which form part of the Group, except those required by the Direction in Note 31.

The Joint Venture investments in Triathlon Homes LLP and Affinity Housing Services (Reading) LLP are consolidated using the gross equity accounting method as per FRS9. SSL has accounted for its investment in Triathlon Homes LLP as an investment at cost as it is exempt from preparing

consolidated accounts and under FRS9 it need not disclose its share of the assets and liabilities of the joint venture as it is disclosed in these Group Accounts.

The Parent Body, under certain circumstances, has the power to appoint and remove the Board members of Southern Home Ownership Limited, thereby establishing a quasi-subsidiary relationship, which requires that their results should be consolidated with Southern Housing Group Limited.

#### Going concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### 2. Particulars of turnover, operating costs and operating surpluses

#### Policies:

##### Turnover

Turnover represents rental and service charge income receivable from properties owned by the Group and those managed for third parties, fees receivable (excluding VAT) when they fall due; and revenue grants from the public bodies are credited to the Income & Expenditure Account in the same period as the expenditure to which they relate. It also includes receipts from the sale of the 1st tranche of shared ownership

properties, proceeds from the sale of properties developed for the open market which are recognised on legal completion, and fees receivable for Design and Build services.

##### Service charges

The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus

or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Until these surpluses are returned they are held on the balance sheet as a creditor and a deficit is held as a debtor.



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

GROUP	2013	2013	2013	2013	2012	2012	2012	2012
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Social housing lettings</b>	129,154	-	(95,367)	<b>33,787</b>	120,824		(92,943)	27,881
<b>Other social housing activities</b>								
Charges for support services	2,839	-	(2,185)	<b>654</b>	2,095	-	(2,102)	(7)
Current asset property sales	14,282	(10,158)	-	<b>4,124</b>	3,373	(2,335)	-	1,038
Other	-	-	-	-	296	-	(182)	114
<b>Non-social housing activities</b>								
Commercial income	1,389	-	-	<b>1,389</b>	1,370	-	(2)	1,368
Market renting lettings	23	-	(20)	<b>3</b>	81	-	(24)	57
Open Market Sales	32,979	(18,653)	-	<b>14,326</b>	7,099	(5,670)	-	1,429
Impairment of Open Market housing properties	-	-	(125)	<b>(125)</b>	-	-	(141)	(141)
Other	38	-	(198)	<b>(160)</b>	-	-	(538)	(538)
<b>Total</b>	<b>180,704</b>	<b>(28,811)</b>	<b>(97,895)</b>	<b>53,998</b>	<b>135,138</b>	<b>(8,005)</b>	<b>(95,932)</b>	<b>31,201</b>

### Particulars of income and expenditure from social housing lettings

GROUP	General Needs	Supported and Older People's Housing	Affordable Rent	Intermediate Rent	Shared Ownership	2013 Total	2012 Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Rent receivable net of identifiable service charges	86,224	10,739	505	7,398	10,270	<b>115,136</b>	106,470
Charges for Support Services	-	-	-	-	-	-	-
Service charges receivable	9,079	1,178	-	460	3,228	<b>13,945</b>	13,106
<b>Gross rental income</b>	<b>95,303</b>	<b>11,917</b>	<b>505</b>	<b>7,858</b>	<b>13,498</b>	<b>129,081</b>	119,576
Income from properties managed for third parties	73	-	-	-	-	<b>73</b>	1,248
<b>Turnover from social housing lettings</b>	<b>95,376</b>	<b>11,917</b>	<b>505</b>	<b>7,858</b>	<b>13,498</b>	<b>129,154</b>	120,824
Management	(23,933)	(2,984)	(256)	(1,155)	(4,775)	<b>(33,103)</b>	(31,452)
Service charge costs	(10,880)	(1,355)	(116)	(533)	(2,949)	<b>(15,833)</b>	(15,670)
Rent losses from bad debts	(573)	(71)	(6)	(26)	(98)	<b>(774)</b>	(1,230)
Routine maintenance	(16,576)	(2,064)	(177)	(1,099)	-	<b>(19,916)</b>	(19,677)
Planned maintenance	(3,468)	(432)	(37)	(178)	-	<b>(4,115)</b>	(8,103)
Depreciation	(14,255)	(1,775)	(152)	(756)	-	<b>(16,938)</b>	(15,326)
Impairment	(4,262)	-	-	-	(426)	<b>(4,688)</b>	(1,485)
<b>Operating costs on social housing lettings</b>	<b>(73,947)</b>	<b>(8,681)</b>	<b>(744)</b>	<b>(3,747)</b>	<b>(8,248)</b>	<b>(95,367)</b>	(92,943)
<b>Operating surplus on social housing lettings</b>	<b>21,429</b>	<b>3,236</b>	<b>(239)</b>	<b>4,111</b>	<b>5,250</b>	<b>33,787</b>	27,881
<b>Void losses</b>	<b>1,918</b>	<b>239</b>	<b>95</b>	<b>138</b>	<b>-</b>	<b>2,390</b>	1,975

Major repairs are included in planned and cyclical maintenance.

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

ASSOCIATION	2013	2013	2013	2013	2012	2012	2012	2012
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Social housing lettings</b>	124,252	-	(96,449)	<b>27,803</b>	116,590	-	(94,127)	22,463
<b>Other social housing activities</b>								
Charges for support services	2,839	-	(2,185)	<b>654</b>	2,095	-	(2,102)	(7)
Current asset property sales	11,829	(9,407)	-	<b>2,422</b>	3,373	(2,335)	-	1,038
Other including gift aid	21,036	-	-	<b>21,036</b>	8,984	-	-	8,984
<b>Non-social housing activities</b>								
Commercial income	1,370	-	-	<b>1,370</b>	1,350	-	(2)	1,348
Other	105	-	-	<b>105</b>	-	-	-	-
<b>Total</b>	<b>161,431</b>	<b>(9,407)</b>	<b>(98,634)</b>	<b>53,390</b>	<b>132,392</b>	<b>(2,335)</b>	<b>(96,231)</b>	<b>33,826</b>

## Particulars of income and expenditure from social housing lettings

ASSOCIATION	General Needs	Supported and Older People's Housing	Affordable Rent	Intermediate Rent	Shared Ownership	2013 Total	2012 Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Rent receivable net of identifiable service charges	87,033	10,840	505	6,944	5,138	<b>110,460</b>	103,492
Service charges	9,079	1,178	-	445	1,891	<b>12,593</b>	11,850
<b>Gross rental income</b>	<b>96,112</b>	<b>12,018</b>	<b>505</b>	<b>7,389</b>	<b>7,029</b>	<b>123,053</b>	115,342
Income from properties managed for third parties	277	-	-	-	922	<b>1,199</b>	1,248
<b>Turnover from social housing lettings</b>	<b>96,389</b>	<b>12,018</b>	<b>505</b>	<b>7,389</b>	<b>7,951</b>	<b>124,252</b>	116,590
Management	(25,604)	(3,189)	(273)	(1,203)	(5,117)	<b>(35,386)</b>	(33,814)
Service charge costs	(10,880)	(1,355)	(116)	(511)	(2,174)	<b>(15,036)</b>	(15,025)
Rent losses from bad debts	(573)	(71)	(6)	(27)	(114)	<b>(791)</b>	(1,114)
Routine maintenance	(16,576)	(2,064)	(177)	(779)	-	<b>(19,596)</b>	(19,350)
Planned maintenance	(3,468)	(432)	(37)	(163)	-	<b>(4,100)</b>	(8,102)
Depreciation	(14,255)	(1,775)	(152)	(670)	-	<b>(16,852)</b>	(15,237)
Impairment	(4,262)	-	-	-	(426)	<b>(4,688)</b>	(1,485)
<b>Operating costs on social housing lettings</b>	<b>(75,618)</b>	<b>(8,886)</b>	<b>(761)</b>	<b>(3,353)</b>	<b>(7,831)</b>	<b>(96,449)</b>	(94,127)
<b>Operating surplus on social housing lettings</b>	<b>20,771</b>	<b>3,132</b>	<b>(256)</b>	<b>4,036</b>	<b>120</b>	<b>27,803</b>	22,463
<b>Void losses</b>	<b>1,918</b>	<b>239</b>	<b>95</b>	<b>136</b>	<b>-</b>	<b>2,388</b>	1,962

Major repairs are included in planned and cyclical maintenance.

### 3. Board and senior executive emoluments

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, the Group Chief Executive and any other person who is a member of the Group Strategy Team) was as follows:

Group	2013	2012
	£000s	£000s
Emoluments	684	752
Compensation for loss of office	49	-
Pension contributions	99	97
Non Executive Emoluments	55	51
	887	900

Emoluments paid to directors in bands including pensions and employers NI, benefits in kind and non-consolidated bonus

	No.	No.
£0 - £10,000	15	12
£100,000 - £110,000	1	-
£120,000 - £130,000	-	1
£130,000 - £140,000	-	1
£140,000 - £150,000	1	-
£150,000 - £160,000	1	1
£170,000 - £180,000	1	1
£250,000 - £260,000	1	1

The remuneration (excluding pension contributions but including non-consolidated bonus) payable to the Group Chief Executive, who is also the highest paid director, were:

	£	£
Salary	183,571	184,340
Benefits in kind	5,324	6,974
<b>Total remuneration</b>	<b>188,895</b>	<b>191,314</b>

The Group Chief Executive is an ordinary member of the Group pension scheme, a contributory scheme, and no enhanced or special terms apply. One Board member waived entitlement to remuneration.

Remuneration of the Group Executive Team was:

	2013	2012
	£000s	£000s
Tom Dacey	189	191
Rosemary Farrar	140	137
Dale Meredith	132	131
Paul Smith	108	105
Alene Wilton	89	107

Chief Executive and Chairman's remuneration on a £ per unit basis

	2013	2012
	£ / Unit	£ / Unit
Chief Executive	6.57	6.77
Chairman (waived remuneration)	-	-



The Remuneration and Nominations 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 account of a market comparative exercise which is carried out annually by an independent body. Our aim is not to pay the highest salaries in the market but to remain competitive. During the year executive salaries increased by 3.14% for the Executive Team and by 2.95% for the rest of staff in line with prevailing conditions in the wider market.

The pension schemes available to the Executive Directors are offered on the same terms as to other staff. Executive Directors participate in a bonus scheme, non-consolidated for pension purposes whereas staff below Executive Director receive an annual performance related pay award. The awards in both cases are determined by personal performance against objectives and targets.

#### 4. Employee information

Monthly average number of full-time equivalent employees (FTE = 35 hours per week):	Group	Group	Association	Association
	2013	2012	2013	2012
	FTE	FTE	FTE	FTE
Housing Management	570	546	570	546
Office Staff	219	220	216	217
Average number of full-time equivalent employees	789	766	786	763

Staff costs (for the above employees)	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Wages and salaries	22,665	21,785	22,325	21,450
Social security costs	2,144	2,057	2,110	2,026
Other pension costs	2,076	1,541	2,045	1,513
Total remuneration	26,885	25,383	26,480	24,989

Remuneration paid to staff including Executives in bands from £60,000 upwards:	Group	Group
	2013	2012
	FTE	FTE
£60,000 - £70,000	9	8
£70,000 - £80,000	9	7
£80,000 - £90,000	3	3
£90,000 - £100,000	3	2
£100,000 - £110,000	1	3
£110,000 - £120,000	1	-
£130,000 - £140,000	2	2
£180,000 - £190,000	1	-
£190,000 - £200,000	-	1

Remuneration includes salary, allowances, benefits in kind and non-consolidated bonus in accordance with the Accounting Direction for Social Housing in England from 2012.

The 2012 figures have been restated to reflect the requirements of the 2012 Accounting Direction.

## 5. Surplus on sale of fixed assets

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Sale proceeds	36,812	27,129	29,735	19,395
Cost of sales	(23,418)	(16,485)	(20,439)	(12,657)
Incidental sale expenses	(43)	(222)	(15)	(178)
	13,351	10,422	9,281	6,560

## 6. Interest receivable and other income

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Income from investments	461	2,449	415	2,456
Income from bank deposits	1,713	1,960	1,516	1,814
	2,174	4,409	1,931	4,270

## 7. Interest payable and similar charges

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
On loans	31,961	31,024	31,485	30,607
Less: interest payable capitalised	(2,324)	(2,141)	(2,145)	(1,995)
Joint venture interest payable	3,356	2,940	-	-
	32,993	31,823	29,340	28,612
Deferred Interest and Indexation				
Index linked loan	81	133	81	133
Deferred income written back	(136)	(136)	(136)	(136)
	32,938	31,820	29,285	28,609

Interest is capitalised on properties under construction using the weighted average interest rate for borrowing which was 4.19% per annum for the Group (2012: 4.22% per annum).

Deferred income written back relates to debenture premium, the policy for which is in Note 17.

## 8. Other finance costs

	Group	Group
	2013	2012
	£000s	£000s
<b>Group pension scheme</b>		
Expected return on pension scheme assets	1,265	1,449
Interest on pension scheme liabilities	(1,463)	(1,434)
<b>Isle of Wight Council pension scheme</b>		
Expected return on pension scheme assets	222	261
Interest on pension scheme liabilities	(315)	(334)
	(291)	(58)

## 9. Surplus on ordinary activities before taxation

Surplus on ordinary activities before tax for the year is stated after charging:

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
<b>Depreciation:</b>				
Property	11,718	10,724	11,639	10,648
Other tangible fixed assets	2,467	2,333	2,459	2,326
Component write off	3,329	2,269	3,329	2,263
<b>Impairment</b>	<b>4,813</b>	<b>1,626</b>	<b>4,688</b>	<b>1,485</b>
<b>Operating leases:</b>				
Property	248	240	248	240
Other equipment	179	63	179	63
<b>Auditor's remuneration:</b>				
<b>Audit services</b>	<b>103</b>	<b>122</b>	<b>83</b>	<b>104</b>
<b>Tax services</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>40</b>
<b>Other services</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>24</b>

## 10. Tax on surplus on ordinary activities

### Policies:

#### Taxation

No taxation is payable on the charitable surpluses of the Parent Body. Taxation is chargeable on the surpluses of SHO, SSL and SDSL. Surpluses either in whole or in part are transferred by Gift Aid. The Group is registered for Value Added Tax. As the majority of group activities are exempt from VAT the recovery under partial exemption is minimal.

#### Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
UK Corporation tax				
Current tax at 24% (2012 : 26%)	904	260	-	-

The current tax charge for the year is lower (2012:lower) than the standard rate of corporation tax in the UK (24% (2012 : 26%)).

The differences are explained below.

Current tax reconciliation				
Surplus on ordinary activities before tax	39,650	18,178	35,026	15,989
Share of joint venture taxable surplus	1,891	4,968	-	-
less surplus from charitable activities	(35,026)	(15,989)	(35,026)	(15,989)
Taxable surplus on ordinary activities	6,515	7,157	-	-
Current tax at 24% (2012 : 26%)	1,564	1,861	-	-
Effects of:				
Tax relief on Gift Aid paid by subsidiaries	-	(309)	-	-
Indexation allowances in period	(81)	-	-	-
Utilisation of tax losses	(317)	(1,292)	-	-
Expenses not deductible for tax purposes	(23)	-	-	-
Capital allowances for period in excess of depreciation	21	-	-	-
Adjustment to tax charge in respect of previous periods	(260)	-	-	-
<b>Total current tax charge (see above)</b>	<b>904</b>	<b>260</b>	<b>-</b>	<b>-</b>



## 10. Tax on surplus on ordinary activities (continued)

### Factors that may affect future tax charges

From 1 April 2013 the rate of UK corporation tax that was enacted at the balance sheet date was 23%. It is expected that the corporation tax rate will change to 21% over the following two years. There are no other factors that may significantly affect future tax charges.

## 11. Tangible fixed assets: housing properties

### Policies:

#### Housing properties

Housing properties are held at cost less the amount of grants received towards their costs and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed. It is Group policy to ensure resident shared owners meet their obligations of maintaining the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual values and long economic lives.

#### Depreciation and impairment

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following useful economic lives:

Housing properties held for letting:

<b>Structure</b>	100 years
<b>Major components</b>	
Bathroom:	30 years
Heating system gas:	15 years
Heating system electric:	25 years
Kitchen:	20 years
Roof (pitched):	60 years
Roof (flat):	20 years
Windows:	30 years
Wiring:	30 years

For all properties impairment reviews are carried out on an annual basis to ensure the carrying value in the balance sheet does not exceed the recoverable amount.

#### Social housing grant

Where developments have been financed wholly or partly by Social Housing Grant the cost of those developments have been reduced by the grant received and receivable. Social Housing Grant released on sale of a property may be repayable, but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors. Social Housing Grant received in advance in respect of housing properties in the course of construction is shown as a current liability.

#### Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants received and receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. On disposal grants are dealt with in accordance with the terms of the original agreement.

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

Group	Housing Properties Held for Letting	Housing Properties for Letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2012	1,417,353	88,647	205,446	18,209	1,729,655
Schemes completed	94,203	(94,203)	9,897	(9,897)	-
Additions: New properties	12,112	64,018	16,686	9,395	102,211
Existing properties	15,345	-	-	-	15,345
Components written off	(3,329)	-	-	-	(3,329)
Impairment	(20)	(1,977)	(8)	(513)	(2,518)
Transfer from/(to) stock	-	9,589	809	423	10,821
Disposals	(18,876)	(2,794)	(12,748)	-	(34,418)
At 31 March 2013	1,516,788	63,280	220,082	17,617	1,817,767
<b>Social Housing Grant</b>					
At 1 April 2012	593,796	32,081	159,714	21,748	807,339
*Reclassification	75,566	21,224	(77,554)	(19,236)	-
Transfer from current liabilities	-	6,693	-	-	6,693
Transfer between tenures	-	(2,085)	-	2,085	-
Schemes completed	53,484	(53,484)	2,034	(2,034)	-
Additions	5,167	26,489	4,834	(346)	36,144
Transfer (to)/from recycled capital grant/disposal proceeds fund	(574)	1,277	(2,803)	32	(2,068)
Disposals	(6,675)	-	-	-	(6,675)
At 31 March 2013	720,764	32,195	86,225	2,249	841,433
<b>Other Grants</b>					
At 1 April 2012	36,095	1,596	2,071	333	40,095
Additions	525	(152)	-	(28)	345
At 31 March 2013	36,620	1,444	2,071	305	40,440
<b>Accumulated Depreciation</b>					
At 1 April 2012	70,497	-	-	-	70,497
Charge for year	11,718	-	-	-	11,718
Eliminated in respect of disposals	(1,801)	-	-	-	(1,801)
At 31 March 2013	80,414	-	-	-	80,414
<b>Net Book Value</b>					
<b>At 31 March 2013</b>	678,990	29,641	131,786	15,063	855,480
At 31 March 2012	716,965	54,970	43,661	(3,872)	811,724

\*To reclassify the brought forward balances at 1 April 2012. There are fixed charges on 14,148 housing units.





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

Association	Housing Properties Held for Letting	Housing Properties for Letting under construction	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2012	1,414,651	88,647	116,198	16,208	<b>1,635,704</b>
Schemes completed	94,203	(94,203)	7,987	(7,987)	-
Additions: New properties	12,112	64,018	16,467	7,505	<b>100,102</b>
Existing properties	15,345	-	-	-	<b>15,345</b>
Components written off	(3,329)	-	-	-	<b>(3,329)</b>
Impairment	(20)	(1,977)	(8)	(513)	<b>(2,518)</b>
Transfer from stock	-	9,589	809	533	<b>10,931</b>
Disposals	(18,876)	(2,794)	(10,157)	-	<b>(31,827)</b>
At 31 March 2013	1,514,086	63,280	131,296	15,746	<b>1,724,408</b>
<b>Social Housing Grant</b>					
At 1 April 2012	592,365	27,189	112,234	25,543	<b>757,331</b>
*Reclassification	75,566	21,224	(77,554)	(19,236)	-
Transfer from current liabilities	-	6,693	-	-	<b>6,693</b>
Transfer between tenures	-	(2,085)	-	2,085	-
Schemes completed	53,484	(53,484)	2,034	(2,034)	-
Additions	5,167	26,489	4,834	(346)	<b>36,144</b>
Transfer from recycled capital grant/Disposal Proceeds Fund	(574)	1,277	(1,387)	32	<b>(652)</b>
Disposals	(6,675)	-	-	-	<b>(6,675)</b>
At 31 March 2013	719,333	27,303	40,161	6,044	<b>792,841</b>
<b>Other Grants</b>					
At 1 April 2012	36,095	1,596	786	333	<b>38,810</b>
Schemes completed	-	-	-	-	-
Additions	525	(152)	-	(28)	<b>345</b>
At 31 March 2013	36,620	1,444	786	305	<b>39,155</b>
<b>Accumulated depreciation</b>					
At 1 April 2011	69,966	-	-	-	<b>69,966</b>
Charge for year	11,639	-	-	-	<b>11,639</b>
Eliminated in respect of disposals	(1,801)	-	-	-	<b>(1,801)</b>
At 31 March 2013	79,804	-	-	-	<b>79,804</b>
<b>Net Book Value</b>					
<b>At 31 March 2013</b>	678,329	34,533	90,349	9,397	<b>812,608</b>
At 31 March 2012	716,225	59,862	3,178	(9,668)	<b>769,597</b>

\*To reclassify the brought forward balances at 1 April 2012. There are fixed charges on 13,130 housing units.

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

Housing properties comprise:				
	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Freehold	1,760,648	1,672,536	1,698,741	1,610,037
Long leasehold	57,119	57,119	25,667	25,667
	1,817,767	1,729,655	1,724,408	1,635,704
Short term leasehold £nil (2012:£nil)				
Total Social Housing Grant received or receivable to date is as follows:				
SHG and other capital grants deducted from:				
Housing properties at cost	881,873	847,434	831,996	796,141
Homebuy and starter home initiative	8,714	8,998	300	300
Add: cumulative amount credited to Income and Expenditure Account	21,432	21,432	21,432	21,432
	912,019	877,864	853,728	817,873

Additions to housing properties during the year included net capitalised interest paid of £2,324,000 (2012: £2,141,000). Cumulative interest capitalised on historic developments is not separately identifiable.

Total expenditure on works to existing group properties during the year amounted to £40,723,000 (2012: £42,371,000) of which £16,692,000 (2012: £14,591,000) was capitalised.



Our first scheme, Liverpool Road in London

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

Accommodation in management comprises:				
	Group	Group	Association	Association
	2013	2012	2013	2012
	Units	Units	Units	Units
<b>Units owned and managed:</b>				
General needs	17,995	18,035	17,995	18,035
Housing for older people	2,627	2,555	2,627	2,555
Affordable rent	220	40	220	40
Supported housing	249	249	249	249
Shared ownership	3,439	3,297	1,584	1,479
Intermediate rent	974	912	921	859
	25,504	25,088	23,596	23,217
<b>Units managed on behalf of other landlords:</b>				
General needs	34	34	34	34
Affordable rent	1	-	1	-
Shared ownership	5	18	1,860	1,836
Intermediate rent	-	-	53	53
	40	52	1,948	1,923
<b>Managed freeholds:</b>				
RTB leasehold	1,710	1,374	1,710	1,374
100% staircased	699	699	699	699
	2,409	2,073	2,409	2,073
Total units managed (including freeholds)	27,953	27,213	27,953	27,213
Total units owned	27,839	27,099	25,056	24,226

Unit Numbers for 2012 have been re-stated to reflect the full range of revenue generating residential units owned or managed by the association and group.

## 12. Other tangible fixed assets

### Policies:

#### **Depreciation and impairment**

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following annual rates:

Commercial shops:	30 years
Freehold offices:	between 30 and 60 years
Plant, machinery, fixtures and vehicles:	between 3 and 5 years
Computer equipment:	3 years

Subject to those properties held on short lease where the maximum period is that of the remaining lease.

For all properties impairment reviews are carried out on an annual basis in accordance with FRS 11.

Group	Freehold & leasehold properties	Estate equipment	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2012	34,553	16,629	2,255	3,382	<b>56,819</b>
Additions	9	1,802	44	282	<b>2,137</b>
Disposals	-	(204)	(135)	-	<b>(339)</b>
At 31 March 2013	34,562	18,227	2,164	3,664	<b>58,617</b>
<b>Accumulated depreciation</b>					
At 1 April 2012	5,629	6,584	1,974	2,685	<b>16,872</b>
Charge for year	613	1,166	8	680	<b>2,467</b>
Disposals	-	(136)	(132)	-	<b>(268)</b>
At 31 March 2013	6,242	7,614	1,850	3,365	<b>19,071</b>
<b>Net book value</b>					
<b>At 31 March 2013</b>	28,320	10,613	314	299	<b>39,546</b>
At 31 March 2012	28,924	10,045	281	697	<b>39,947</b>

## 12. Other tangible fixed assets (continued)

Association	Freehold & leasehold properties	Estate equipment	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2012	34,147	16,629	2,255	3,379	<b>56,410</b>
Additions	9	1,802	44	283	<b>2,138</b>
Disposals	-	(204)	(135)	-	<b>(339)</b>
At 31 March 2013	34,156	18,227	2,164	3,662	<b>58,209</b>
<b>Accumulated depreciation</b>					
At 1 April 2012	5,604	6,584	1,974	2,685	<b>16,847</b>
Charge for year	606	1,166	8	679	<b>2,459</b>
Disposals	-	(136)	(132)	-	<b>(268)</b>
At 31 March 2013	6,210	7,614	1,850	3,364	<b>19,038</b>
<b>Net book value</b>					
<b>At 31 March 2013</b>	27,946	10,613	314	298	<b>39,171</b>
At 31 March 2012	28,543	10,045	281	694	<b>39,563</b>

Freehold and leasehold properties comprise:	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Freehold	<b>34,513</b>	35,054	<b>34,107</b>	34,648
Long leasehold	<b>49</b>	49	<b>49</b>	49
	<b>34,562</b>	35,103	<b>34,156</b>	34,697



Helping one of our residents get online

## 13. Investments

### Policy:

#### Investments

SHGL retains a 25% stake in homes purchased through the Homebuy scheme and variable percentage stakes in homes purchased through the Starter Home Initiative. Investments in Homebuy and Starter Home Initiatives are funded through Social Housing Grant and held in the balance sheet at historic cost. Investments in subsidiaries and joint ventures are stated at cost. Unlisted investments are stated at market value.

Properties held for their investment potential are accounted for in accordance with SSAP19 'Accounting for Investment Properties'. These properties are stated at value on purchase in 2012.

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
<b>Cost</b>				
Unlisted investments	10,582	10,608	10,582	10,633
Investment loan to wholly owned subsidiary	-	-	11,599	9,980
Investment in joint ventures	1,446	1,518	25	-
Total investments at cost	12,028	12,126	22,206	20,613
<b>Market value</b>				
Unlisted investments	12,644	12,305	12,644	12,330
Investment loan to wholly owned subsidiary	-	-	11,599	9,980
Investment in joint ventures	1,446	1,518	25	-
Total investments at market value	14,090	13,823	24,268	22,310
<b>Investment properties</b>				
Cost/Valuation at 1 April 2012	926	-	926	-
Additions	-	926	-	926
Valuation adjustment	-	-	-	-
At 31 March 2013	926	926	926	926
<b>Homebuy and starter home initiatives</b>				
Homebuy and starter home initiatives	9,171	9,500	300	300
Less: Social Housing Grant	(8,714)	(8,998)	(300)	(300)
	457	502	-	-

### 13. Investments (continued)

Note:

Unlisted investments represent holdings in managed funds and SHGL's investment in Affinity (Reading) Holdings Ltd.

The year-end valuations of investments managed by external funds managers are made as follows:

- COIF Charities Investment Fund - the mid-market value of one unit in the relevant funds is advised by the fund managers
- Black Rock Charitrak Fund - the unit value for valuation purposes was advised by the fund managers.

Other investments are held at cost less, where appropriate, a written down provision.

Southern Housing Group Limited holds:

- 100% of the ordinary share capital of Southern Development Services Limited.
- 100% of the ordinary share capital of Southern Space Limited.
- 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Windsor District Housing Association. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) limited, the operator of a PFI Contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's Stock.

- Southern Housing Group also has a 33.33% direct holding in Affinity (Reading) Holdings Limited, which with the 16.67% indirect holding described above, gives a total interest of 50%. This is accounted for as an investment at cost and not as an associate or subsidiary as Southern Housing Group does not have significant influence over the activities of the entity as this is governed by the PFI contract.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the construction and supply of the social housing within the Athlete's Village for the London Olympics 2012. After the occupation by the athletes during the games the Triathlon share of the village is being retrofitted under the terms of the original contract for development and will be used for social housing in Stratford once these works are completed.

### Investment loan to wholly owned subsidiary

	Association £000s
At 1 April	9,980
Net advances	1,619
At 31 March	11,599

### Unlisted investments at market value

	Group £000s	Association £000s
At 1 April	12,305	12,305
Investment repayment	(26)	(26)
	12,279	12,279
Change in value	424	424
Write downs	(59)	(59)
At 31 March	12,644	12,644

### 13. Investments (continued)

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

	2013	2012
	£000s	£000s
Share of turnover of joint ventures	5,553	5,032
Share of operating surplus in joint ventures	3,363	4,024
Share of assets		
Share of fixed assets	78,912	76,617
Share of current assets	10,046	9,728
	88,958	86,345
Share of liabilities		
Due within one year	(2,848)	(163)
Due after one year	(84,664)	(84,664)
	(87,512)	(84,827)
Investment summary		
Investment at cost	525	500
Interest payable due to the Group	-	222
Share of accumulated surplus/(deficit)	921	796
	1,446	1,518

Included above is the following individually significant joint venture.

	Triathlon Homes LLP	Triathlon Homes LLP
	2013	2012
	£000s	£000s
Turnover	5,245	5,032
Profit before interest and taxation	3,277	4,024
Interest payable	(3,356)	(3,214)
Taxation	-	-
Profit after taxation	(79)	810



## 14. Properties for sale

### Policies:

#### Shared Ownership first tranche sales

Shared Ownership properties held for sale and under construction are split proportionally between current assets and fixed assets, based on the expected first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining elements of the Shared Ownership properties are accounted for as fixed assets. Subsequent sales are treated as part disposals of fixed assets.

#### Stock and work in progress

Stock and work in progress represents properties held for transfer to other Registered Providers or for outright sale, and is stated at the lower of cost (including attributable overheads and interest) and net realisable value.

Note:

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Properties under construction	18,967	28,259	10,016	6,448
Completed properties	6,782	3,334	3,606	3,334
Land	4,203	18,395	4,203	18,395
	29,952	49,988	17,825	28,177

## 15. Debtors

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Due within one year:				
Arrears of rent and service charges	7,179	6,406	6,878	6,125
Less: provision for bad and doubtful debts	(5,546)	(4,768)	(5,377)	(4,582)
	1,633	1,638	1,501	1,543
Social Housing Grant receivable	-	2,079	-	2,079
Amounts due from connected entities	-	-	16,961	7,061
Other debtors	12,988	16,172	6,394	8,264
Prepayments and accrued income	8,652	2,348	3,652	2,169
	23,273	22,237	28,508	21,116

At 31 March 2013, balances on bank accounts held on trust for shared owners totalled £6,191,000 (2012: £5,540,000) and are included in other debtors.

## 16. Creditors: amounts falling due within one year

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Social Housing Grant received in advance	139	139	-	-
Disposal proceeds fund	53	829	53	829
Accruals and deferred income	30,427	32,029	23,246	28,250
Deferred tax liability	1,164	260	-	-
Other taxation and social security	700	561	699	561
Other creditors	13,070	12,943	7,747	6,607
Capital grant on properties for sale	-	6,693	-	6,693
Housing loans	3,967	3,500	3,942	3,500
	49,520	56,954	35,687	46,440

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £6,393,000 (2012: £5,580,000) are reflected above in other creditors.



Our outdoor gym at Stamford Hill, London

## 17. Housing loans

### Policy:

#### Premium on debentures

Premiums on issue are treated as deferred income and written back to the income and expenditure account over the period of the loan. Adjustments to debenture deferred income are reflected in Note 7.

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Housing loans falling due after one year	740,631	744,427	702,831	706,602
Loan set up cost	(2,686)	(2,721)	(2,525)	(2,721)
	737,945	741,706	700,306	703,881

Housing loans are all secured by specific charges on 14,148 of the Group's housing units and are repayable in instalments due as follows:

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
In one year or less	3,967	3,500	3,942	3,500
Between one and two years	4,741	3,874	4,691	3,849
Between two and five years	31,195	19,834	29,990	19,089
In five years or more	704,695	720,719	668,150	683,664
	744,598	747,927	706,773	710,102

Housing loans bear hedged fixed rates of interest ranging from 3.3% to 13.1% or variable rates based on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2017 to 2045. Southern Housing Group Limited has the following stand alone derivative transactions as at 31 March 2013:

	Market Value (£million)	
	2013	2012
£20m 3 yearly cancellable swap at a fixed rate of 4.77%, first option date July 2010	(9.74)	(7.35)
£25m 30 year cancellable swap at a fixed rate of 4.57%, option date November 2023	(8.51)	(8.00)
£30m 27 year swap at a fixed rate of 4.9875% discounted by compound RPI above 3.20%	(13.42)	(10.57)
£75m 3 year fixed (6.35%) to floating (3.125% + 6-month LIBOR (in arrears)) swap	-	1.52
£25m 5 year swap at a fixed rate of 2.75%	(2.14)	(1.54)
£25m 5 year swap at a fixed rate of 3.055%	(2.64)	(1.70)
£25m 5 year swap at a fixed rate of 3.3% - commencing 24 June 2013	(2.98)	(1.79)

Market value represents (liability)/asset.

All stand-alone derivative transactions are supported by charged property security to cover any adverse mark-to-market valuations.

## 18. Recycled capital grant fund

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Balance at 1 April	2,707	934	893	587
Grant released on sales	3,447	2,464	1,735	844
Interest added to fund	24	9	9	4
Inter-group transfer	-	-	225	158
Grant recycled into new schemes	(176)	(700)	(176)	(700)
Balance as at 31 March	6,002	2,707	2,686	893
Due within one year	-	-	-	-
Due in more than one year	6,002	2,707	2,686	893
Balance relating to the HCA	2,332	523	1,851	359
Balance relating to the GLA	3,670	2,184	835	534

The balance on this fund represents grant from the Government that has been released on sales of property. Since 1 April 1997 such grants are available for recycling into new housing provision, over a three-year period. No funds are due for repayment.

## 19. Disposal proceeds fund

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Balance at 1 April	1,121	961	1,121	961
Released on sales	-	155	-	155
Interest added to Fund	5	5	5	5
Recycled into new schemes	(907)	-	(907)	-
Balance as at 31 March	219	1,121	219	1,121
Due within one year	(53)	(829)	(53)	(829)
Due in more than one year	166	292	166	292
Balance relating to the HCA	120	284	120	284
Balance relating to the GLA	99	837	99	837

The balance on this fund represents excess of sales on disposals of property where grant from the Government existed, which has been released on sales of property. The fund is available for recycling into new housing provision. No funds are due for repayment.

## 20. Deferred income

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Balance at 1 April	1,373	1,518	1,373	1,518
Transferred to Income and Expenditure Account	(192)	(145)	(192)	(145)
Balance as at 31 March	1,181	1,373	1,181	1,373
Deferred income comprises:				
Premium on debentures	985	1,122	985	1,122
Property leasing income	196	251	196	251
	1,181	1,373	1,181	1,373

## 21. Provisions for liabilities

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Balance at 1 April	91	72	25	25
Transferred to income and expenditure account	(39)	19	-	-
Balance as at 31 March	52	91	25	25

The closing balance reflects a HAMA provision of £25,000 carried forward, and a defects provision in respect of new sales properties in SSL of £27,000. The movement in the year represents unused defects provision in respect of new sales properties in SSL which is no longer required.

## 22. Called-up share capital

	Association	Association
	2013	2012
	£	£
Shares of £1 each issued and fully paid:		
Balance at 1 April	8	7
Shares issued during year	-	1
As at 31 March	8	8

The share capital of the Association consists of shares of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled.

## 23. Revenue reserve

	Group	Association
	2013	2013
	£000s	£000s
Balance at 1 April 2012	272,133	255,635
Surplus for year	38,753	35,026
Actuarial loss relating to pension scheme	(4,215)	(4,215)
As at 31 March 2013	306,671	286,446
Revenue reserve excluding pension liability	322,164	301,939
Pension liability	(15,493)	(15,493)
Revenue reserve including pension liability	306,671	286,446

## 24. Revaluation reserve

	Group and Association	
	2013	2012
	£000s	£000s
Balance at 1 April	1,826	2,288
Surplus/(deficit) on revaluation of investments	424	(462)
As at 31 March	2,250	1,826

The reserve relates to the SHGL investment portfolio shown at market value. The credit/(debit) to the reserve represents the movement in market value during the course of the year.



Our gardening project at Quarr Abbey, Isle of Wight

## 25. Designated and restricted reserves

### Policies:

#### **Designated reserves**

These reserves are designated for specific purposes. The reserves are administered and managed in accordance with the purpose for which the reserve was intended.

#### **Restricted reserves**

These reserves relate to grants from third parties which are only expendable in respect of the projects for which they are received.

Note:

	Designated reserves	Restricted reserves	Total	Total
			2013	2012
	£000s	£000s	£000s	£000s
Balance at 1 April	430	1	431	431
Expenditure in year	-	(1)	(1)	-
As at 31 March	430	-	430	431

Designated reserves comprise:

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Legacy grants	133	133	133	133
Tenant amenities	50	50	50	50
IOW health authority housing improvements	38	38	38	38
Sheltered housing improvements	209	209	209	209
	430	430	430	430

## 26. Capital commitments

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Capital expenditure contracted but not provided for in the financial statements	28,250	98,124	22,593	93,612
Capital expenditure authorised but not contracted	44,602	14,252	33,779	14,252

Funding for these commitments can be met from existing resources.

## 27. Pension schemes

### Policy:

#### **Retirement benefits**

The Group operates a number of pension schemes:

- Defined benefit schemes – Southern Housing Group Pension scheme and Isle of Wight Pension scheme
- Multi-employer scheme – The Social Housing Pension Scheme (SHPS)
- Money Purchase scheme – The Zurich Assurance Limited Pension Scheme

#### **Defined benefit schemes**

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group also participates in a defined benefit pension scheme which is administered by the Isle of Wight Council and has minor participation with Islington local government pension scheme.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

#### **The Social Housing Pensions Scheme (SHPS)**

The Group also participates in a pension scheme providing benefits based on final pensionable pay. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

#### **Money purchase scheme**

The Group also participates in a defined contribution scheme where the amount charged to the income and expenditure account represents the contributions payable to the scheme by the Group in respect of the accounting period.

#### **Note:**

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

a) Defined benefit schemes  
SHGL and SHO contribute to the Southern Housing Group scheme which was closed to new members from 31 March 2003. SHO has only one member of the SHG scheme which is accounted for through the parent company accounts.

SHGL also contributes to:

- The Social Housing Pension Scheme which was closed to new members from 1 January 2007.
- The Isle of Wight Council Pension Fund for employees who transferred from the Isle of Wight Council.
- The Islington local government Pension Scheme of which there are only 2 members, the share of scheme assets and liabilities of which are not material to the SHGL financial statements.

b) Defined contribution schemes

A defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.



Supported housing residents, Isle of Wight



## 27. Pension schemes (continued)

The amounts recognised in the balance sheet are as follows:

	Group	Group	Association	Association
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Southern Housing Group Pension scheme	(12,520)	(8,557)	(12,520)	(8,557)
Isle of Wight Pension scheme	(2,973)	(2,803)	(2,973)	(2,803)
Total net deficit	(15,493)	(11,360)	(15,493)	(11,360)

### Southern Housing Group Pension Scheme

The defined benefit plan provides benefits based on final pensionable salary. The latest full actuarial valuation was carried out at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2013 by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. The next full actuarial valuation will be March 2013 with the draft result of this expected to be available in September 2013.

During the accounting period the Group paid contributions at a rate of 23.6% plus an additional annual payment of £564,840 (2011/12: £597,990) towards an identified deficit.

It has been agreed that the employer contribution rate to be applied from 1 April 2013 is 23.6%.

The major assumptions used in this valuation were:

GROUP PENSION SCHEME			
Actuarial assumptions	2013	2012	2011
	% pa	% pa	% pa
Rate of increase in salaries	4.40	4.30	4.50
Rate of increase in pensions in payments and deferred pensions	3.20	3.10	3.25
Discount rate	4.10	4.60	5.40
Inflation assumption - RPI	3.40	3.30	3.50
Inflation assumption - CPI	2.60	2.50	3.00

Mortality assumption	Male	Female
Current pensioner aged 65	21.82 yrs	24.27 yrs
Future retiree upon reaching 65	24.81 yrs	27.20 yrs

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## 27. Pension schemes (continued)

### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

### Scheme values

	2013	2012	2011
	£000s	£000s	£000s
Equities	14,133	11,537	10,896
Bonds	6,061	5,997	5,221
Property	1,204	1,026	949
Absolute return fund	5,261	4,310	4,121
Cash	286	183	388
Total market value of assets	26,945	23,053	21,575
Present value of scheme liabilities	(39,465)	(31,610)	(26,407)
Deficit in the scheme	(12,520)	(8,557)	(4,832)

### Long term rate of return

	2013	2012	2011
	%	%	%
Equities	5.60	5.90	7.30
Bonds	4.00	5.00	5.30
Absolute return fund	4.80	5.00	6.80
Property	4.50	5.10	6.80
Cash	1.20	1.50	3.50

### Movements in present value of defined benefit obligation

	2013	2012
	£000s	£000s
At 1 April 2012	31,610	26,407
Current service cost	894	736
Interest on obligation	1,463	1,434
Contribution by members	123	125
Actuarial losses	6,036	3,506
Administration expenses	(510)	(115)
Benefits paid	(151)	(483)
At 31 March 2013	39,465	31,610

## 27. Pension schemes (continued)

### Movement in fair value of fund assets

	2013	2012
	£000s	£000s
At 1 April 2012	23,053	21,575
Expected returns on fund assets	1,265	1,449
Contribution by members	123	125
Actuarial gains/(losses)	2,027	(656)
Contributions by employer	1,138	1,158
Administration expenses	(151)	(115)
Benefits paid	(510)	(483)
At 31 March 2013	26,945	23,053

### Movement in deficit during year

	2013	2012	2011
	£000s	£000s	£000s
Deficit in scheme at beginning of year	(8,557)	(4,832)	(7,582)
Current service cost	(894)	(736)	(742)
Contributions paid	1,138	1,158	1,000
Other finance expense	(198)	15	(354)
Actuarial (loss)/gain	(4,009)	(4,162)	2,846
Deficit in scheme at end of year	(12,520)	(8,557)	(4,832)

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

	2013	2012	2011
	£000s	£000s	£000s
Current service cost	(894)	(736)	(742)

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

	2013	2012	2011
	£000s	£000s	£000s
Expected return on pension scheme assets	1,265	1,449	1,155
Interest on plan liabilities	(1,463)	(1,434)	(1,509)
	(198)	15	(354)

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

	2013	2012	2011
	£000s	£000s	£000s
Actual return less expected return on assets	2,027	(656)	498
Experience gains arising on scheme liabilities	(1,439)	416	1,628
Changes in assumptions underlying the present value of scheme liabilities	(4,597)	(3,922)	720
Actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits	(4,009)	(4,162)	2,846

## 27. Pension schemes (continued)

### History of scheme

The history of the scheme for the current and prior periods is as follows:

	2013	2012	2011	2010	2009
	£000s	£000s	£000s	£000s	£000s
Fair value of scheme assets	26,945	23,053	21,575	19,260	14,272
Present value of scheme liabilities	(39,465)	(31,610)	(26,407)	(26,842)	(21,113)
Deficit	(12,520)	(8,557)	(4,832)	(7,582)	(6,841)

### History of experience gains and losses

	2013	2012	2011	2010	2009
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	(5.34%)	1.80%	7.55%	5.32%	0.04%
Experience adjustments on scheme assets as a percentage of scheme assets	7.52%	(2.85%)	2.31%	20.18%	(31.41%)

### The Social Housing Pension Scheme

The Group also participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the State Pension Scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide". The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007, which, as both schemes are now closed to new entrants, continues to apply to current members.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine

the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions at the rate of 17.8% (2012:17.1%). Member contributions varied between 10.7% and 11.7%.

At the balance sheet date, there were 43 (2012:46) active members employed in the group. The annual pensionable payroll in respect of these members was £936,944 (2012:£1,003,749). There are no additional contributions payable to fund the deficit.

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 assets are co-mingled for investment purposes and benefits are paid out of total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

## 27. Pension schemes (continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

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

Valuation Discount Rates	
Pre retirement	7.0% pa
Non pensioner post retirement	4.2% pa
Pensioner post retirement	4.2% pa
Pensionable earnings growth	2.5% pa for 3 years then 4.4%
Price inflation	2.9% pa
Pension Increases	
Pre 88 GMP	0.0% pa
Post 88 GMP	2.0% pa
Excess over GMP	2.4% pa

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

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% pa for males and 1.25% pa for females.
- Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% pa for males and 1.25% pa for females.



## 27. Pension schemes (continued)

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings with a 1/80th accrual rate	14.0
Career average revalued earnings with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each April; first increase April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in the table above.



## 27. Pension schemes (continued)

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards

the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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). Response regarding the 30 September 2011 valuation is awaited.

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout 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.

The Scheme Actuary has estimated the employer debt that would have been payable if the Group had withdrawn from the Scheme as at 30 September 2012 to be £23,102,440.

## 27. Pension schemes (continued)

### The Isle of Wight Council Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension scheme. The scheme is funded by the payment of contributions to a pension fund, which is administered by the Isle of Wight Council.

The latest full actuarial valuation was carried out at 31 March 2012 by a qualified independent actuary. It has been agreed that an employer contribution rate of 20.8% of pensionable pay will apply for 2013/14 (2012/13: 20.8%). The major assumptions used in this valuation were:

#### Actuarial assumptions

	2013	2012	2011
	% pa	% pa	% pa
Rate of increase in salaries	5.10	4.80	5.10
Rate of increase in pensions in payments and deferred pensions	2.80	2.50	2.80
Discount rate	4.50	4.80	5.50
Inflation assumption - RPI	3.20	3.10	3.60
Inflation assumption - CPI	2.40	2.30	3.10

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.9 years (male), 25.7 years (female).
- Future retiree upon reaching 65: 24.9 years (male), 27.7 years (female).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

#### Scheme assets

The fair value of our share of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and thus inherently uncertain, were:

	2013	2012	2011
	£000s	£000s	£000s
Equities	3,235	2,725	2,791
Bonds	931	896	814
Property	222	234	194
Other	44	39	78
Total market value of our share of assets	4,432	3,894	3,877
Present value of our share of scheme liabilities	(7,405)	(6,697)	(6,179)
Deficit in the scheme	(2,973)	(2,803)	(2,302)

#### Long term rate of return

	2013	2012	2011
	%	%	%
Equities	5.80	6.30	7.50
Bonds	4.10	4.60	4.90
Property	3.90	4.40	5.50
Cash	3.00	3.50	4.60



## 27. Pension schemes (continued)

The market value of the scheme's assets (whole Fund) at 31 March 2013 was £391.4 million.

### Recognition of defined benefit obligation

	2013	2012
	£000s	£000s
Opening defined benefit obligation	6,697	6,179
Current service cost	37	40
Interest cost	315	334
Contribution by members	11	11
Actuarial losses	654	382
Past service costs	-	-
Losses on curtailments	-	-
Estimated benefits paid	(309)	(249)
Deficit in scheme at end of year	7,405	6,697

### Reconciliation of fair value of employer assets

	2013	2012
	£000s	£000s
Opening fair value of employer assets	3,894	3,877
Expected return on assets	222	261
Contributions by members	11	11
Contributions by employer	167	167
Actuarial gains/(losses)	447	(173)
Benefits paid	(309)	(249)
<b>Total charged to operating cost</b>	<b>4,432</b>	<b>3,894</b>

### Expense recognised in Income and Expenditure Account

	2013	2012
	£000s	£000s
Current service cost	37	40
Interest cost	315	334
Expected return on employer assets	(222)	(261)
Past service costs	-	-
Losses on curtailments and settlements	-	-
<b>Total</b>	<b>130</b>	<b>113</b>

The expense is recognised in the following line items in the Income and Expenditure Account:

	2013	2012
	£000s	£000s
Operating costs	37	40
Other finance costs	93	73
<b>Total</b>	<b>130</b>	<b>113</b>

## 27. Pension schemes (continued)

The total amount recognised in the Statement of Total Recognised Gains and Losses in respect of actuarial gains and losses is £207,000 loss (2012: £555,000 loss).

### History of scheme

The history of the scheme for the current and prior periods is as follows:

	2013	2012	2011	2010	2009
	£000s	£000s	£000s	£000s	£000s
Fair value of scheme assets	4,432	3,894	3,877	3,592	2,664
Present value of funded liabilities	(7,405)	(6,697)	(6,179)	(7,303)	(4,879)
Deficit	(2,973)	(2,803)	(2,302)	(3,711)	(2,215)

### Experience adjustments

	2013	2012	2011	2010	2009
	%	%	%	%	%
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	0.22	(1.82)	2.09	-	-
Experience adjustments on scheme assets as a percentage of scheme assets	10.09	(4.44)	3.10	23.33	(32.88)

The Association expects to contribute approximately £165,000 to its defined benefit scheme in the next financial year.

### The Zurich Assurance Limited Pension Scheme

The Group also participates in a defined contribution scheme run by Zurich Assurance Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

## 28. Operating Leases

### Policy:

#### Leased assets

Payments under cancellable operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

Leasing rentals in respect of property amounting to £248,000 (2012: £240,000) and equipment £179,000 (2012: £63,000) were charged during the year.

At 31 March 2013 the Group had the following annual commitments in respect of operating leases:

	Property	Equipment	Total	Total
	2013	2013	2013	2012
	£000s	£000s	£000s	£000s
Operating leases which expire:				
Within one year	-	-	-	2
Within two to five years	112	179	291	206
Within five to ten years	143	-	143	128
	255	179	434	336

## 29. Legislative provisions

Southern Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 31055R) and registered with the Homes and Communities Agency and previously with the Housing Corporation under the Housing Act 1974 (Registered Number L4628).

## 30. Group organisations

Southern Housing Group Limited is the parent body and is required to prepare group accounts for the following organisations included in these financial statements :

Southern Housing Group Limited	Registered Provider Number: L4628
Southern Home Ownership Limited	Registered Provider Number: LH1662
Southern Space Limited	Incorporated under CA06 Companies Act number 5437850
Southern Development Services Limited	Incorporated under CA06 Companies Act number 5400187
Affinity Housing Services (Reading) LLP	Joint venture partnership with Windsor & District HA
Triathlon Homes LLP	Joint venture partnership with First Base 4 Stratford LLP and East Place Limited

Under Financial Reporting Standard 9 Southern Space Limited is exempt from the requirement to use gross equity accounting for the joint venture investment.



Caledonian Park at our  
Parkside Place scheme



### 31. Related parties

#### Received by Southern Housing Group from non-regulated group members on a commercial arms length basis:

	2013	2012
	£000s	£000s
Total receipts	3,839	3,978

Receipts comprised:

SDSL – Recharge of administrative support costs and gift aid donations

SSL – Interest on loan, and recharge of administrative support costs and development team costs, and gift aid donations

Affinity Housing Services (Reading) LLP – Director's services

#### Payments made by Southern Housing Group to non-regulated group members on a commercial arms length basis:

	2013	2012
	£000s	£000s
Total payments	2,237	2,150

Payments comprised:

SDSL – Design and build fees relating to construction services

#### Payments made by Southern Home Ownership to non-regulated group members on a commercial arms length basis:

	2013	2012
	£000s	£000s
Total payments	651	642

Payments comprised:

SDSL – Design and build fees relating to construction services

SSL – Commission relating to housing sales

## 32. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with SHGL as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association.

	Date of acquisition	Original cost £000s	Number of units
Liverpool Road	1910	324	247
Jubilee Cottages	1935	707	28
Palliser Road	1927	973	57
Dalmeny Avenue	1935	493	82
Beech House	1936	701	16

Fund balances are represented by

	2013	2012
	£000s	£000s
Tangible fixed assets at cost less accumulated depreciation.	6,118	6,148
Less Social Housing and other grants	(5,609)	(5,609)
	509	539
Investments at valuation	815	702
	1,324	1,241

Net income from permanent endowed assets

	2013	2012
	£000s	£000s
Income from lettings	1,534	1,474
Less expenditure on letting activities	(1,201)	(1,058)
Surplus on letting activities	333	416
Income from Investments	10	10
	343	426

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

## 33. Contingencies

No contingent assets or contingent liabilities are recognised in these financial statements.





## Contact Us

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Southern Housing Group Limited is  
incorporated under the Industrial and  
Provident Societies Act 1965  
(Registered Number 31055R) and registered  
by the Homes and Communities Agency  
(Registered Number L4628).

SHG0045-T-0913

Southern  
Housing  
Group





## VALUATION REPORT

The Bonds of each Series are secured by, *inter alia*, an allocation of charged properties from a shared security pool. On an ongoing basis, the Security Trustee apportions such number of parts of the Charged Properties between all the Beneficiaries (including the 2039 Bond Beneficiaries and the 2044 Bond Beneficiaries) as is appropriate. The following valuation report (the **Valuation Report**) therefore relates to the total shared security pool, an appropriate part of which is allocated to secure the 2039 Bonds and the 2044 Bonds.

The Valuation Report was prepared by Savills Advisory Services Limited, Registered Chartered Surveyors, of 33 Margaret Street, London W1G 0JD (the **Valuer**). It is included in this Offering Circular, in the form and context in which it is included, at the Issuer's request and with the consent of the Valuer and the Valuer has authorised the contents of this section.

The Valuer does not have a material interest in the Issuer.

### Summary of valuations

A summary of the values of the Charged Properties in the total shared security pool set out in the Valuation Report is set out below:

<b>EUV-SH or, where appropriate, MV-ST</b>				<b>Total</b>
Units	Valued on EUV-SH basis	Units	Valued on MV-ST basis	
No.	£	No.	£	£
295	£21,290,000	754	£134,000,000	<b>£155,290,000</b>

\*An additional 16 units have been given a nil value.

On the Issue Date:

- (a) the 2039 Bondholders' Apportioned Part of the shared security pool will be 974 units. Consequently, the 2039 Bondholders' Security Percentage will be 91.46 per cent. and the value of the Charged Properties allocated to the 2039 Bond Beneficiaries will be £125,115,386.42; and
- (b) the 2044 Bondholders' Apportioned Part of the shared security pool will be 8 units. Consequently, the 2044 Bondholders' Security Percentage will be 0.75 per cent. and the value of the Charged Properties allocated to the 2044 Bond Beneficiaries will be £1,025,984.47.

## **Southern Housing Group Limited**

Valuation of Housing Stock for Loan Security Purposes

Relating to the Issue of £125,000,000 4.50 per cent. Secured Bonds due 2039 (the 2039 Bonds) and £50,000,000 5.364 per cent. Secured Bonds due 2044 (the 2044 Bonds and, together with the 2039 Bonds, the Bonds) by Southern Housing Group Limited

Dated 31<sup>st</sup> January 2014



**Savills Advisory Services Ltd  
37 – 39 Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3BN**

31<sup>st</sup> January 2014



To: Prudential Trustee Company Limited  
Laurence Pountney Hill  
London EC4R 0HH  
in its capacity as Security Trustee acting as trustee for and  
on behalf of itself and the Beneficiaries as defined in the  
security trust deed to be dated 4<sup>th</sup> February 2014 between,  
*inter alios*, Prudential Trustee Company Limited  
as security trustee (the "**Security Trustee**")  
and Southern Housing Group Limited  
(as the same may be amended, novated, supplemented,  
varied or restated from time to time, the "Security Trust Deed")

Alistair Addison MRICS  
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and: Prudential Trustee Company Limited  
Laurence Pountney Hill  
London EC4R 0HH  
(the "**Bond Trustee**")

and: Southern Housing Group Limited  
Fleet House  
59-61 Clerkenwell Road  
London EC1M 5LA

and: Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

Dear Sirs

## REPORTING COMPANY: SAVILLS ADVISORY SERVICES LIMITED

**VALUATION OF HOUSING STOCK RELATING TO THE ISSUE OF £125,000,000 4.50 PER CENT. SECURED BONDS DUE 2039 (THE 2039 BONDS) AND £50,000,000 5.364 PER CENT. SECURED BONDS DUE 2044 (THE 2044 BONDS AND, TOGETHER WITH THE 2039 BONDS, THE BONDS) BY SOUTHERN HOUSING GROUP LIMITED ("THE ISSUER")**

**1,065 UNITS OF SOUTHERN HOUSING GROUP LIMITED ("SOUTHERN") HOUSING STOCK ("THE PROPERTIES")**

## 1.0 INTRODUCTION

This Valuation is required in connection with the proposed issue by the Issuer of the Bonds.

Further to instructions received from the Issuer in August 2013 to value the Properties in order to assess its level of security, we now have pleasure in reporting to the above addressees.

In completing this exercise, we have: a) agreed a full set of property schedule data with the Issuer; b) discussed details as to our approach and methodology; and c) completed our own inspections, research and analysis.

The above has enabled us to arrive at the valuation assumptions which we have adopted in the valuations and final reported figures herein.

For the avoidance of doubt, we confirm that it would not be appropriate or possible to compare this valuation with any values appearing in the Issuer's annual accounts. This Report has been prepared in accordance with the RICS Red Book (as defined herein). The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the properties which are the subject of this Report (the "**Properties**") were enforced as at the date of this Report.

The values for residential properties reported in the Issuer's accounts are prepared for that purpose on the basis of Existing Use Value for Social Housing by reference to the entire stock of the organisation's dwellings valued as a single lot, in contrast with the valuation in respect of this Report which only represents the value to a funder in possession of a portion of the stock. As such different assumptions would be applied. Disaggregated shares for individual dwellings derived from differently sized portfolios, and valued for different purposes, may vary, resulting in any comparisons being inaccurate.

## 1.1 BASES OF VALUATION

1.1.1 In relation to Properties which may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use):-

- (i) the **Market Value** of such properties for loan security purposes firstly reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant. Our valuation will refer to this basis of value as "**MV-STT**" or "**market value, subject to tenancies**"; and

1.1.2 In relation to Properties other than those specified in paragraph 1.1.1 above and the retained equity in shared ownership properties:-

- (i) The **Existing Use Value for Social Housing ("EUV-SH")** of such properties for loan security purposes.

## 1.2 DEFINITIONS

**Market Value** is defined by the Royal Institution of Chartered Surveyors' ("**RICS**") Valuation – Professional Standards, (effective from 6 January 2014) (the "**Red Book**") as:-

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

**Existing Use Value for Social Housing** is defined by the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards, (effective from 6 January 2014) (the "**Red Book**") as:-

*Existing use value for social housing ("EUV-SH") is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion – subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:*

*(a) at the valuation date any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;*

*(b) properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and*

*(c) any subsequent sale would be subject to all of the above special assumptions.*

We confirm that there will be no material difference in the MV-STT and EUV-SH valuations between freehold and long leasehold interests and therefore we do not feel that separate summaries are required, this approach being compliant with the RICS Valuation Standards.

### **1.3 GENERAL ASSUMPTIONS AND CONDITIONS**

All our valuations have been carried out on the basis of Savills' General Assumptions set out in **Appendix 3** of this report.

### **1.4 DATE OF VALUATION**

Our opinions of value are as at the date of this Report (**the Effective Date**), using the property data supplied to us. The importance of the date of valuation must be stressed as property values can change over a relatively short period of time.

### **1.5 PURPOSE OF VALUATION**

This Valuation is required for security purposes in connection with the proposed issue by the Issuer of the Bonds.

This Report is issued for the benefit of the addressees and for the inclusion in the Offering Circular for the Bonds to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Offering Circular.

We hereby give consent to the publication of this Report within the Offering Circular and accept responsibility for the information contained in this Report. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information given in this report is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **1.6 CONFLICTS OF INTEREST**

We are external valuers and not aware of any conflict of interest in respect of the Properties or the Issuer preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book.

## **1.7 VALUER DETAILS AND INSPECTION**

In accordance with the requirements of the RICS Red Book, we confirm that this Report has been prepared by Alistair Addison MRICS and countersigned by James Tillier FRICS (RICS Registered Valuers) who have relevant experience to report on this property type. Savills Advisory Services carried out sample inspections of the stock in October 2013.

Following inspection, market research and comparable sales and lettings evidence was compiled enabling us to build up a detailed knowledge of the locations concerned, the situation of the housing stock and marketability. We have considered the general condition of the stock, the level of fixtures and fittings and have derived our assumptions accordingly.

## **1.8 ENQUIRIES AND INFORMATION SOURCES**

We have been provided by the Issuer with a schedule of the Properties detailing the addresses and current rents as set out in the property schedules incorporated in **Appendix 1**. The extent of the enquiries we have undertaken and the sources of the information we have relied upon for purposes of our valuation are stated in the relevant sections of our report below.

Within the Report we refer to information sourced from third parties. We confirm that any such information has been accurately reported and that, as far as Savills is aware and is able to ascertain, no facts have been omitted which would render the information, or reproduced figures, inaccurate or misleading.

We have also reviewed the final form certificate of title (the "Certificate of Title") for the Properties issued by Bevan Brittan LLP dated on or about the date of this valuation report and can confirm that our valuations fully reflect the disclosures contained therein.

In particular, in respect of each unit which we have valued on the basis on MV-STT, we confirm that (based on our review of the Certificate of Title) such units may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use).

## **1.9 RICS COMPLIANCE**

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards, the "RICS Red Book", effective from 6 January 2014, in particular, where relevant, in accordance with the requirements of Valuation Professional Standards VPS3: Valuation Reports, UKVS1: Valuations for financial statements, UKVS1.13: Valuations for Registered Social Landlords, UKVS3: Valuations for Residential Property, UKVS3.11 Affordable Rent and Market Rent, UK Appendix 1: Accounting concepts and terms used in FRS 15 and SSAP 19 and UK Appendix 13: Valuation of registered social housing providers' stock for secured lending purposes.

## 2.0 EXECUTIVE SUMMARY

Based on the schedule of properties provided by the Issuer and upon assumptions detailed in this Report, our opinions of value on the bases indicated as at the **Effective Date** of this Report are as follows:

### Unencumbered Properties

Our opinion of value, in aggregate, of the **754** unencumbered dwellings as referred to at 1.1.1 above to be charged by the Issuer, on the basis of:

- **Market Value – Subject to Tenancies is £134,000,000 (One hundred and thirty four million pounds).**

### Restricted and Shared Ownership Properties

Our opinion of value, in aggregate, of the **206** other dwellings and retained equity in **89** shared ownership dwellings as referred to at 1.1.2 above to be charged by the Issuer, on the basis of:

- **Existing Use Value for Social Housing is £21,290,000 (Twenty one million, two hundred and ninety thousand pounds).**

- **Nil Value**

In addition to these properties we are informed that **16** properties as further scheduled at **Appendix 1** are to be included within the charge alongside the above-mentioned properties and ascribed **nil value**.

### Aggregate Value of the Properties

Our opinion of value in aggregate, of the **1,065** Properties to be charged by the Issuer valued either on the bases of; **Market Value – Subject to Tenancies or Existing Use Value for Social Housing** and including the Properties **at Nil value** is:

**£155,290,000 (One hundred and fifty five million, two hundred and ninety thousand pounds).**

A full stock schedule with apportioned values is included at **Appendix 1**.

### 3.0 THE PROPERTIES

#### 3.1 Location

The Properties are situated in the Issuer's principal areas of operation and the table below shows the distribution of the Properties by County, number of towns/villages per County and the total stock numbers. Almost half of the properties are located in the London area.

County	Towns & Villages	Stock Numbers
Berkshire	6	70
East Sussex	6	234
Essex	2	3
Hampshire	4	45
Kent	2	14
London	5	522
Surrey	1	22
West Sussex	14	88
Wiltshire	5	67
<b>Totals</b>	<b>45</b>	<b>1065</b>

Source: The Issuer

The Properties are all situated in reasonable residential areas and are within reach of facilities and amenities. Some locations have fewer local facilities and transport communications than others but it is considered there is demand for affordable housing within the developments. Full postal addresses are listed in the **Appendix 1**.

#### 3.2 Property Category

The portfolio comprises a total of 1,065 units owned by the Issuer. A breakdown by property category is set out below:

Property Category	Count
Affordable Rented	9
Intermediate Rented	8
Shared Ownership	89
Social Rented	943
Nil Value	16
<b>Grand Total</b>	<b>1065</b>

Source: The Issuer



### 3.3 Bedroom Numbers

The Properties comprise the following type and bedroom sizes. The majority of the Properties are houses with two-bedrooms.

Property Type	Number of Bedrooms						Total Properties	Percent of Properties
	0	1	2	3	4	5		
Bungalow			19	1	1		21	2%
Flat	2	275	220	69	4	4	574	55%
House		6	145	193	95	15	454	43%
Grand Total	2	281	384	263	100	19	1049	100%
<b>Bedrooms as Percentage</b>	<b>0%</b>	<b>27%</b>	<b>37%</b>	<b>25%</b>	<b>10%</b>	<b>2%</b>	<b>100%</b>	
Nil Value							16	
<b>All Properties</b>							<b>1065</b>	

Source: The Issuer

### 3.4 **Construction and Condition**

The majority of the Properties are considered to be of conventional construction for their age and type. Houses are constructed of solid brick, cavity brick or timber frame with roofs being mainly pitched and covered in slate or tile. Flats are constructed of cavity brick, metal or timber frame with roofs being pitched and covered in tile, or flat and believed to have an asphalt or metal type covering. The majority of the Properties have modern plastic gutters and downpipes.

A high proportion of the Properties have double glazed windows of timber, metal or UPVC casement type and benefit from all mains services and gas fired central heating systems supplying radiators.

On the basis of external and sample inspections, maintenance of the Properties appeared generally to a satisfactory standard. It is understood from the Issuer that the majority of the Properties currently meet the Decent Homes standard as set out by the Communities and Local Government ("CLG"). Properties conform to Decent Homes standard if they are warm and weatherproof and have reasonably modern facilities.

Sample photographs of certain properties can be found at **Appendix 2**.

## 4.0 **ENVIRONMENTAL CONSIDERATIONS**

We have valued the stock on the assumption that the properties have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the property, or on any neighbouring land, then we may wish to review our valuation advice.

We have assumed there to be no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

## 5.0 TOWN PLANNING

From our review of the final form certificate of title (the "Certificate of Title") for the Properties issued by Bevan Brittan LLP we can confirm that there are no pending planning applications or other planning issues or conditions that would adversely affect the valuation of the Properties.

The existence of all necessary Town Planning and Building Regulation approvals and any remaining NHBC cover or similar building warranty, where appropriate, have also been confirmed in respect of the Properties, with insurances put in place where required.

## 6.0 TENURE

### 6.1 Title

Our valuation reflects our opinion of value in aggregate of the freehold or long leasehold interests (in each case) of the Properties owned by the Issuer and identified as the subject of this Report and scheduled at **Appendix 1**.

The Certificate of Title discloses Properties that are held leasehold by the Issuer and we consider these interests do not affect the valuation of the Properties.

### 6.2 Tenancies

The Properties are understood to be subject to Assured, Fair Rent or Assured Shorthold tenancies. The Issuer's standard tenancy agreements are assumed to be in a typical format however they have not been seen.

It is assumed that under the Assured and Assured Shorthold tenancy agreements, rents can be reviewed once a year to a market level. The tenant is also assumed to have the usual rights of appeal to the local Rent Assessment Committee.

Under typical Fair Rent tenancies the rent is reviewed every 2 years with reference to the Local Rent Officer.

### 6.3 Shared Ownership Leases

We have not seen a standard shared ownership lease. We have assumed that the shared ownership leases follow a typical format of 99 or 125 years and are essentially a FRI lease with the tenant responsible for all repairs. In addition, the lease will allow stair-casing by the leaseholder enabling acquisition of additional blocks of equity.

The lease will detail the level of specified rent, set at the leases inception, and the rent review provisions of the lease. We understand the majority of the leases provide for annual rent review to RPI + 0.5%, although some older leases provide for rent increase at RPI only. These rent increases have been reflected in our valuation.

## 7.0 THE PROPERTY MARKET OVERVIEW

### 7.1 General Summary

#### National Overview

Average house price inflation continues to increase, led by the London market, although some regional averages (particularly in the North) remain unmoved. Housing transactions continue to increase and have done so consistently since April this year. Mortgage lending continues to rise rapidly, with First Time Buyers accounting for 45% of house purchase loans in September. Quarter three house building figures increased to their highest volume since 2007. UK GDP growth was 0.8% q/q (1.5% y/y) in Q3 2013, which led the unemployment rate to fall to 7.6%. Inflation fell unexpectedly (to 2.2%, CPI) in October.

#### Housing Affordability

The house price to earnings ratio has continued to increase. In October it was 4.69, up from 4.38 one year previously.

#### Transactions

There were 88,450 residential property transactions in England in October 2013. Over the last 12 months transactions were 887,060, which is an 11% increase compared to the previous 12 month period.

Source: Homes and Communities Agency

#### The Nationwide House Price Index October 2013 reported;

- House prices rise by 0.6% in November
- UK house prices increased by 0.6% in November and were 6.5% higher than November 2012
- House prices around 6% below 2007 peak

Headlines	Nov-13	Oct-13
Monthly Index*	347.5	345.4
Monthly Change*	0.60%	1.00%
Annual Change	6.50%	5.80%
Average Price	£174,566	£173,678

Seasonally Adjusted\*

## 7.2 Local Market

The Properties are in a range of locations and comprise a number of different property types; the general opinion received from local agents is that the market is currently showing some signs for optimism, with slightly increased levels of activity and indications of modest price increases, although this has not yet worked through to the lower end of the market, especially in remoter locations.

Overall, residential values have been generally static in the last twelve months with transaction levels still well below pre-crunch levels. Recent Government initiatives namely; Funding For Lending and Help to Buy appear to have led to increased activity in the general housing market. It remains to be seen whether these policies have a significant long term impact.

The rental market is relatively buoyant, particularly in London and the South East, with additional demand therefore to be anticipated from investor purchasers for stock of this type and location.

## 8.0 **EXISTING USE VALUE – SOCIAL HOUSING – VALUATION APPROACH**

### 8.1 Valuation Methodology EUV-SH

EUV-SH assumes the property will be disposed of to another Registered Provider (“RP”). These organisations will calculate their bid according to their projected income and outgoings profile which they would estimate the Properties would produce under their management. This basis assumes social or affordable rents will be charged in perpetuity and all vacant units will be relet.

Owing to the complex income and expenditure profile particular to RPs we consider that the appropriate method of valuation is to use a discounted cash flow (“DCF”). The DCF allows us to project rental income and expenditure over the term of the cash flow to arrive at an annual surplus or deficit, which is then discounted to a net present value.

### 8.2 Rents and CPI

The Government has announced that from 2015/16 target rents will be allowed to increase at a maximum of CPI + 1% for the following 10 years. The current regime allows RPI + 0.5%. Assuming medium- to long-term rates for CPI and RPI at 2.0% and 2.5% respectively, it seems likely that the effect of this change will be generally neutral and have limited impact on rental growth, and our valuations, where current rents have converged with target, or are due to do so by 2015/16.

The situation in regard to current rents that have not yet converged is that the +/- £2 per week rent adjustment has not been extended beyond 2014/15. In the case of loan security valuations we continue to hold the view that a mortgagee-in-possession and successors-in-title would not be bound by the rent regulations and would therefore be able to continue to converge rents to target beyond 2014/15 if necessary. As is the case under current policy, individual housing associations would be able to approach the regulator if adherence to the new regulation would cause financial difficulties.

### 8.3 DCF Assumptions

DCF assumptions are derived from economic data or information received from the Issuer and have been adopted in our EUV-SH cash-flow of the transfer valuations as set out below.

DCF Variable	Unit of Cost	DCF Input
Rental increases following convergence	% over RPI/CPI per annum	0.5%/1%
Voids and bad debts	% of rent	3.5%
Management costs	Per unit per annum	£500-£700
Cyclical Maintenance costs including VAT	Per unit per annum	£250
Responsive Maintenance costs including VAT	Per unit per annum	£420
Programmed Maintenance costs including VAT	Per unit per annum	£720-£840
Management Cost Inflation	% over RPI per annum	0.5%
Repair Cost Inflation	% over RPI per annum	0% long-term
Maintenance Cost Inflation		0.5% long-term
VAT		20%
RPI		2.5% long-term
CPI		2% long-term
Discount rate	Real per annum	5% - 6%

Source: The Issuer / Savills

### 8.4 Discount Rate

There is no hard and fast rule for determining the most appropriate rate to be adopted in a discounted cashflow. The discount rate is probably the most important variable in the model since it determines the net present value of future predicted income and expenditure flows for the property in question. Our role as valuers is to interpret the way in which potential purchasers of the stock would assess their bids. The market for this stock will be within the RP sector.

Effectively, the discount rate is representative of both the long term cost of borrowing for an acquiring organisation and the risks implicit in the property portfolio concerned. The current level of long term interest rates, and the overall cost of funds, must be reflected in our valuation. In addition to considering the cost of funds, we also need to make an allowance for the risk which attaches to our cashflow assumptions – some of which may be subject to a higher degree of risk than those generally made in the business plans. The margin for risk needs to be considered on a case-by-case basis, having regard to the nature of the stock.

Currently the yield on 30-year Gilts is around 3.6%. This is, in effect, the risk-free discount rate. Yields on Housing Association long-dated, rated and unrated bonds are typically around 4.5% - 5.0% (Source: Social Housing, August 2013). The latest public-rated issues from Saffron Housing Trust, Poplar HARCA (July 2013), Sanctuary (October 2013) and Grand Union Housing Group (December 2013) have achieved “spreads” above their reference gilts of 1.12%, 1.5%, 0.78% and 1.05% respectively.

New business plans are being run at nominal interest rates of around 6.5% to 8.5% including margin and fees. The level of margin and fees allowed for is around 1.5%-2.5% on top of an assumed nominal interest rate of around 5%-6%. The supply of long term (25 or 30 year) funding has diminished and is only available from a handful of lenders. Shorter term funding (5–7 years), and funding with in-built options to re-price margins at a future date, are becoming more commonplace introducing a new level of re-financing risk to business plans.

Although interest rates generally, and short term rates in particular, are lower than we have seen for some time, the increase in lenders margins and other charges has resulted in overall long term funding costs being similar to those which have pertained over the past few years. At the current time we do not propose to alter the general range of the discount rates we are adopting. However they will be kept under close review.

Over the past three years our view has been that for good quality, generally non-problematical stock, a discount rate of 5% to 5.75% real is appropriate (over a long term inflation rate of 2.5%). The margin for risk implicit in this, over and above the cost of funds, is about 1% to 2%.

We have adopted discount rates of 5.0% to 6.0% real per annum.

## 8.5 Comparison of Rents

We have relied on details of current and target rents as advised by the Issuer in carrying out this valuation. Such rents are understood to be on a 52 week year basis and net of any service charge. We have not carried out any validation or research into the target rents supplied.

On this basis, the average current rent across the stock to be charged is as set out below, together with the average (2013/14) target rent and Savills' estimated average market rent.

Property Category	No. Beds	Current Rent	Target Rent	Market Rent
Houses	1	£88.58	£89.58	£140
	2	£97.40	£100.77	£193
	3	£107.00	£112.84	£255
	4	£124.42	£133.14	£404
	5	£136.33	£157.34	£649
<b>Average</b>		<b>£107.92</b>	<b>£114.41</b>	<b>£275</b>
Flats	0	£58.31	£58.31	£150
	1	£86.54	£99.00	£226
	2	£101.87	£113.80	£288
	3	£119.16	£142.74	£447
	4	£133.97	£147.93	£496
	5	£136.42	£160.74	£571
<b>Average</b>		<b>£97.13</b>	<b>£110.46</b>	<b>£282</b>
<b>Overall Average</b>		<b>£102.04</b>	<b>£112.28</b>	<b>£278</b>

Source: The Issuer / Savills

## 8.6 Affordable Rents and Local Housing Allowance

In November 2010 the Government issued a Consultation Paper - "Local Decisions: a fairer future for social housing". This was followed in March 2011 by the "2011-2015 Affordable Homes Programme - Framework". The documents propose, inter alia, the introduction of a new more flexible Affordable Rent tenancy. Tenancy terms for existing social tenants will remain unchanged, but a "proportion" of new tenants could be offered rents at up to 80% of the market rent.

The ability to charge the higher rents is linked to participation in new development on a "something for something" basis and reaching a Framework contract with the Homes and Communities Agency. The effects on the value of Social Rented property (in other words the point at which and extent to which the market would reflect any future potential to charge Affordable Rents) is difficult to judge.

At present we do not believe the value of Social Rented stock will have increased because the market has yet to mature. We are continuing to monitor the market but at present our **valuations do not reflect any value which might be attributable to the potential to charge Affordable Rent.**

EUV-SH valuations may be affected in future. It should be noted that the MV-STT valuation assumes an increase to market rent levels and so would be unaffected.

## 9.0 WELFARE REFORM – ADDITIONAL COMMENTARY ON VOIDS, ARREARS & BAD DEBTS

April 2013 saw the remaining provisions of the Welfare Reform Act (changes in Housing Benefit entitlement, the under-occupation cap and the overall benefit cap) come into effect. Universal Credit and direct payment has now been introduced in some parts of the country.

These changes will have a significant impact on Registered Providers and their tenants. It is the general view across the sector that both void losses and bad debts will increase and that additional management time will need to be devoted to rent collection.

It is necessary to reflect the likely impact of the changes in our valuations and we have therefore assumed modest increases in arrears, void loss and written off debt in the future.

## 10.0 MARKET VALUE SUBJECT TO TENANCIES – VALUATION APPROACH

### 10.1 Valuation Methodology MV-STT

We assess the MV-STT by consideration of a discount to Market Value with Vacant Possession (“**MV-VP**”) and secondly by considering a yield to rental income.

The valuation of properties and portfolios subject to assured and secure tenancies is carried out with direct reference to comparable evidence, gleaned from the sales of similar tenanted portfolios and individual units, sold subject to Protected Tenancies and on Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

The purchasers of residential investments are usually private investors or firms who acquire vacant units and let on Assured Shorthold tenancies (“**AST**”).

Investors tend to base their bid on their ability to “trade out” individual units at market value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10% for prime property to 50% where market conditions are difficult. Typical rates are around a 20% to 30% discount to MV-VP for properties subject to AST tenancies.

The yield applied to gross income varies from around 7% for prime property to 12% for poorer locations. This equates to a yield on net income (after deductions for management, maintenance and voids) of around 5% to 8%.

The discount and yield applied to assured and secure tenancies are adjusted to reflect the additional security of tenure such tenants benefit from.

## 10.2 Principal Assumptions – MV-STT

In establishing the MV-STT value, we assume that rents would convert to a market rent level within a short space of time. We have considered discount to vacant possession value and yield with reference to market comparables. Our MV-STT valuation has been supported with a discounted cash-flow approach with incorporates the following.

Assumption	Unit
Voids and Bad Debts	5%
Management Cost	8% - 10% of market rent
Maintenance & Repairs	15% of market rent
Discount Rate	7.0% to 7.75%

Source: Savills

## 10.3 MV-STT Statement

With reference to Section 6 on Tenure, it is essential that confirmation be obtained that the property is capable of being let at a Market Rent and disposed of free from restrictions. If there are restrictions in title, planning conditions, s.106 agreements or nomination agreements which limit disposal to RPs and which would be binding upon a mortgagee in possession, then the correct valuation basis may be EUV-SH and not MV-STT.

It should be noted that the MV-STT valuation may only be attainable by a Mortgagee in Possession, selling the properties tenanted, outside the RP sector. The valuation basis is dependant upon the subsequent purchaser being able to sell vacant units and charge a market rent to existing tenants.

Current rental income (as advised by the Issuer and subject to comments above) is set out at **Appendix 1** but we make no warranty that the current income is sufficient to support lending against an MV-STT basis either on individual valuation groups or against all the Properties.

## 11.0 **SHARED OWNERSHIP – VALUATION APPROACH**

### 11.1 General

There are **89** shared ownership properties in the portfolio (the “**Shared Ownership Properties**”). We understand that the Issuer retains a 63% average share.

### 11.2 Valuation Approach

The Shared Ownership Properties are valued in isolation. Shared Ownership property produces a low risk rental income at a level dependant on the percentage owned by the leaseholder and the percentage retained by the RP. As shared ownership tenants have a stake in the property, arrears and default are comparatively rare and landlords can retrieve management costs. Maintenance does not erode rental income as the tenant is responsible.

Capital receipts happen on the occurrence of default or when the purchaser decides to acquire further equity, this usually happens when they decide to sell and move on.



We use a discounted cashflow model designed for the valuation of shared ownership property which projects future rent and outgoings to arrive at a net present value. We have assumed that service charges equal the management expenditure. We have applied a discount rate of 5.5% real reflecting the secure nature of shared ownership income and have not taken into account any staircasing in the valuation.

### 11.3 Shared Ownership Valuations - Principal DCF Assumptions

- Discount rate for rental income 5.5%.
- No future stair-casing assumed.
- Average Rent £86.53 with an average retained share of 63%.
- Rental increases RPI plus 0.5% or RPI only.

## 12.0 VALUATIONS

Please note that the valuations set out below must only be read in conjunction with the rest of this report including all Appendices. The valuations expressed below are also set out in the Executive Summary of Valuation in Section 2.

### 12.1 Unencumbered Properties

Our opinion of value, in aggregate, of the **754** unencumbered dwellings as referred to at 1.1.1 above to be charged by the Issuer, on the basis of:

- **Market Value – Subject to Tenancies is £134,000,000 (One hundred and thirty four million pounds).**

#### Restricted and Shared Ownership Properties

Our opinion of value, in aggregate, of the **206** other dwellings and retained equity in **89** shared ownership dwellings as referred to at 1.1.2 above to be charged by the Issuer, on the basis of:

- **Existing Use Value for Social Housing is £21,290,000 (Twenty one million, two hundred and ninety thousand pounds).**
- **Nil Value**

In addition to these properties we are informed that **16** properties as further scheduled at **Appendix 1** are to be included within the charge alongside the above-mentioned properties and ascribed **nil value**.

#### Aggregate Value of the Properties

Our opinion of value in aggregate, of the **1,065** Properties to be charged by the Issuer valued either on the bases of; **Market Value – Subject to Tenancies or Existing Use Value for Social Housing** and including the Properties **at Nil value** is:

**£155,290,000 (One hundred and fifty five million, two hundred and ninety thousand pounds).**

A full stock schedule with apportioned values is included at **Appendix 1**.

### 13.0 LOTTING AND VALUE DISAGGREGATION

We have valued the Properties in lots according to type / location. Within **Appendix 1** we include individual EUV-SH or MV-STT figures against each of the properties listed. These figures are apportionments, directly related to the current rents passing or to the vacant possession value. For this reason, the apportioned figures are not valuations of the individual units and should not be regarded as such.

### 14.0 SUITABILITY AS LOAN SECURITY

#### 14.1 Funders' Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture, bond or mortgage. However, it is a matter for a funder to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

#### 14.2 Property Specific Risks

In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

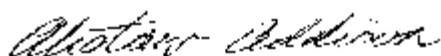
#### 14.3 Suitability as Security

We are of the opinion that the Properties do form adequate security for the Bonds. We would stress however that it is up to the addressees to assess the level of borrowing which the Properties support and to assess the risk not directly associated with the property itself.

We trust that this report is acceptable for your purposes. Should you have any queries, please do not hesitate to contact us.

Yours faithfully

Countersigned




**Alistair Addison MRICS**  
Associate Director  
RICS Registered Valuer  
For and on behalf of Savills Advisory Services  
Limited

**James Tillier FRICS**  
Director  
RICS Registered Valuer  
For and on behalf of Savills Advisory Services  
Limited

## **Appendices**

<b>Appendix 1</b>	Schedule of Subject Properties and Apportioned Values
<b>Appendix 2</b>	Photographs of Certain Properties
<b>Appendix 3</b>	General Assumptions, Definitions and Conditions
<b>Appendix 4</b>	Property Market Overview



**Appendix 1**  
**Schedule of Subject Properties**

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
0224LAK0001	FLAT 1 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0002	FLAT 2 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0003	FLAT 3 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0004	FLAT 4 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0005	FLAT 5 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0006	FLAT 6 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0007	FLAT 7 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0008	FLAT 8 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£69.30	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0009	FLAT 9 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0010	FLAT 10 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0011	FLAT 11 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0012	FLAT 12 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0014	FLAT 14 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		FR	£101,360		£101,360	MV-STT
0224LAK0015	FLAT 15 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0016	FLAT 16 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		FR	£101,360		£101,360	MV-STT
0224LAK0017	FLAT 17 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0224LAK0018	FLAT 18 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		FR	£101,360		£101,360	MV-STT
0224LAK0019	FLAT 19 Lakeview	South Avenue	Brighton	East Sussex	BN2 0BP	F	1	£71.41	£71.41		A	£101,360		£101,360	MV-STT
0228EVE0001	FLAT 1 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	0	£58.31	£58.31		A	£88,280		£88,280	MV-STT
0228EVE0002	FLAT 2 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0003	FLAT 3 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0004	FLAT 4 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	0	£58.31	£58.31		A	£88,280		£88,280	MV-STT
0228EVE0005	FLAT 5 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0006	FLAT 6 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0007	FLAT 7 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0008	FLAT 8 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0009	FLAT 9 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0010	FLAT 10 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0011	FLAT 11 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0012	FLAT 12 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0013	FLAT 13 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0014	FLAT 14 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0015	FLAT 15 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		FR	£107,900		£107,900	MV-STT
0228EVE0016	FLAT 16 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0017	FLAT 17 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£79.18	£79.18		A	£107,900		£107,900	MV-STT
0228EVE0018	FLAT 18 Everest House	7 - 11 Hogarth Road	Hove	East Sussex	BN3 5RG	F	1	£76.80	£79.18		FR	£107,900		£107,900	MV-STT
0510BUR0017	17 Burrell Close		Partridge Green	West Sussex	RH13 8BH	H	3	£107.78	£107.78		A	£134,060		£134,060	MV-STT
0510GRO0015	15 Groombridge Way		Horsham	West Sussex	RH12 1XD	H	2	£104.05	£104.05		A	£140,600		£140,600	MV-STT
0510RED0001	1 Red Admiral Street		Horsham	West Sussex	RH12 5YH	H	3	£115.03	£115.03		A	£147,140		£147,140	MV-STT
0510SOU0019	19 Southdown Way		Storrington	West Sussex	RH20 3NS	H	3	£109.85	£109.85		A	£143,870		£143,870	MV-STT
0515FAI0012	12 Fairlea Close		Burgess Hill	West Sussex	RH15 8NW	H	3	£108.30	£108.30		A	£140,600		£140,600	MV-STT
0515FIE0019	19 Field Close		Burgess Hill	West Sussex	RH15 8PP	H	3	£109.85	£109.85		A	£140,600		£140,600	MV-STT
0515GLA0017	17 Gladstone Road		Burgess Hill	West Sussex	RH15 0QQ	H	3	£113.47	£113.47		A	£143,870		£143,870	MV-STT
0515SPI0005	5 The Spinney		Burgess Hill	West Sussex	RH15 8AG	H	3	£108.30	£108.30		A	£130,790		£130,790	MV-STT
0540DAW0021	21 Dawley Green		South Ockendon	Essex	RM15 5LV	H	4	£105.34	£105.34		A	£130,140		£130,140	MV-STT
ASK1ASK0001	FLAT 1 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	5	£140.07	£140.07		A	£283,830		£283,830	MV-STT
ASK1ASK0002	FLAT 2 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0003	FLAT 3 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1ASK0004	FLAT 4 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£123.44	£123.44		A	£218,200		£218,200	MV-STT
ASK1ASK0005	FLAT 5 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1ASK0006	FLAT 6 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1ASK0007	FLAT 7 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0008	FLAT 8 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0010	FLAT 10 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0011	FLAT 11 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0012	FLAT 12 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0013	FLAT 13 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0014	FLAT 14 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0015	FLAT 15 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
ASK1ASK0016	FLAT 16 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0017	FLAT 17 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
ASK1ASK0018	FLAT 18 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0019	FLAT 19 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0020	FLAT 20 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0021	FLAT 21 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0022	FLAT 22 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1ASK0023	FLAT 23 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£115.66	£115.66		A	£184,630		£184,630	MV-STT
ASK1ASK0024	FLAT 24 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1ASK0026	FLAT 26 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	STAFF	2	£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
ASK1ASK009	FLAT 9 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLB0025	FLAT 25 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	4	£136.05	£136.05		A	£251,770		£251,770	MV-STT
ASK1BLB0027	FLAT 27 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLB0028	FLAT 28 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLB0029	FLAT 29 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	4	£136.05	£136.05		A	£251,770		£251,770	MV-STT
ASK1BLB0030	FLAT 30 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	5	£140.07	£140.07		A	£285,340		£285,340	MV-STT
ASK1BLB0031	FLAT 31 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLB0032	FLAT 32 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0033	FLAT 33 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0034	FLAT 34 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£132.16	132.16		A	£148,560		£148,560	MV-STT
ASK1BLB0035	FLAT 35 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0036	FLAT 36 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£120.83	£120.83		A	£218,200		£218,200	MV-STT
ASK1BLB0037	FLAT 37 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLB0038	FLAT 38 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0039	FLAT 39 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0040	FLAT 40 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0041	FLAT 41 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0042	FLAT 42 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLB0043	FLAT 43 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£128.43	£128.43		A	£218,200		£218,200	MV-STT
ASK1BLB0044	FLAT 44 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0045	FLAT 45 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0046	FLAT 46 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0047	FLAT 47 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLB0048	FLAT 48 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLC0049	FLAT 49 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	4	£136.05	£136.05		A	£251,770		£251,770	MV-STT
ASK1BLC0050	FLAT 50 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLC0051	FLAT 51 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLC0052	FLAT 52 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	3	£129.94	£129.94		A	£218,200		£218,200	MV-STT
ASK1BLC0053	FLAT 53 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0054	FLAT 54 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	5	£140.07	£140.07		A	£285,340		£285,340	MV-STT
ASK1BLC0055	FLAT 55 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0056	FLAT 56 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0057	FLAT 57 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLC0058	FLAT 58 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0059	FLAT 59 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLC0060	FLAT 60 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0061	FLAT 61 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0062	FLAT 62 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0063	FLAT 63 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLC0064	FLAT 64 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0065	FLAT 65 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLC0066	FLAT 66 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0067	FLAT 67 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0068	FLAT 68 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0069	FLAT 69 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£101.94	£101.94		A	£151,060		£151,060	MV-STT
ASK1BLC0070	FLAT 70 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
ASK1BLC0071	FLAT 71 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	1	£132.16	132.16		A	£148,560		£148,560	MV-STT
ASK1BLC0072	FLAT 72 Asker House	Tufnell Park Road	Lower Holloway	London	N7 0PP	F	2	£116.43	£116.43		A	£184,630		£184,630	MV-STT
BARKHUN0073	73 Hunters Square		Dagenham	Essex	RM10 8AY	H	2	£95.73	£95.73		A	£111,400		£111,400	MV-STT
BARKMREMARG	5 Margery Road		Dagenham	Essex	RM8 3AX	H	2	£95.73	£95.73		A	£113,460		£113,460	MV-STT
BCT1DER0001	1 Derifall Close		Beckton	London	E6 5XS	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT1DER0002	2 Derifall Close		Beckton	London	E6 5XS	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT1DER0003	3 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
BCT1DER0004	4 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0005	5 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0006	6 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0007	7 Derifall Close		Beckton	London	E6 5XS	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT1DER0008	8 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0009	9 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0010	10 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0011	11 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0012	12 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0013	13 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0014	14 Derifall Close		Beckton	London	E6 5XS	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT1DER0015	15 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0016	16 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0017	17 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0018	18 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0019	19 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0020	20 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0021	21 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0022	22 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0023	23 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0024	24 Derifall Close		Beckton	London	E6 5XS	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1DER0025	25 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0026	26 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0027	27 Derifall Close		Beckton	London	E6 5XS	F	1	£79.54	£79.54		A	£87,280		£87,280	MV-STT
BCT1DER0028	28 Derifall Close		Beckton	London	E6 5XS	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1DER0029	29 Derifall Close		Beckton	London	E6 5XS	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT1DER0030	30 Derifall Close		Beckton	London	E6 5XS	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT1DER0031	31 Derifall Close		Beckton	London	E6 5XS	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT1DER0032	32 Derifall Close		Beckton	London	E6 5XS	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT1DER0033	33 Derifall Close		Beckton	London	E6 5XS	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT1DER0034	34 Derifall Close		Beckton	London	E6 5XS	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT1HAL0015	15 Hallywell Crescent		Beckton	London	E6 5XP	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1HAL0016	16 Hallywell Crescent		Beckton	London	E6 5XP	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT1HAL0017	FLAT 17 Hallywell Crescent		Beckton	London	E6 5XP	F	2	£93.14	£93.14		A	£107,420		£107,420	MV-STT
BCT1HAL0018	FLAT 18 Hallywell Crescent		Beckton	London	E6 5XP	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1HAL0019	FLAT 19 Hallywell Crescent		Beckton	London	E6 5XP	F	2	£93.14	£93.14		A	£107,420		£107,420	MV-STT
BCT1HAL0020	FLAT 20 Hallywell Crescent		Beckton	London	E6 5XP	F	2	£85.73	£85.73		A	£107,420		£107,420	MV-STT
BCT1HAL0021	FLAT 21 Hallywell Crescent		Beckton	London	E6 5XP	F	2	£93.14	£93.14		A	£107,420		£107,420	MV-STT
BCT1HAL0022	FLAT 22 Hallywell Crescent		Beckton	London	E6 5XP	F	1	£82.79	£82.79		A	£87,280		£87,280	MV-STT
BCT1HAL0023	FLAT 23 Hallywell Crescent		Beckton	London	E6 5XP	F	1	£121.97	£121.97		A	£84,460		£84,460	MV-STT
BCT3BOW0004	4 Bowyer Close		Beckton	London	E6 5XU	H	2	£103.49	£103.49		A	£137,630		£137,630	MV-STT
BCT3BOW0005	5 Bowyer Close		Beckton	London	E6 5XU	H	2	£106.08	£106.08		A	£137,630		£137,630	MV-STT
BCT3BOW0010	10 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3BOW0011	11 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3BOW0012	12 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3BOW0013	13 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3BOW0014	14 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3BOW0015	15 Bowyer Close		Beckton	London	E6 5XU	H	3	£115.40	£115.40		A	£157,780		£157,780	MV-STT
BCT3HAL0026	26 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		A	£174,560		£174,560	MV-STT
BCT3HAL0027	27 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		A	£174,560		£174,560	MV-STT
BCT3HAL0028	28 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		A	£174,560		£174,560	MV-STT
BCT3HAL0029	29 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		A	£174,560		£174,560	MV-STT
BCT3HAL0030	30 Hallywell Crescent		Beckton	London	E6 5XP	H	3	£117.98	£117.98		A	£157,780		£157,780	MV-STT
BCT3HAL0031	31 Hallywell Crescent		Beckton	London	E6 5XP	H	3	£117.98	£117.98		A	£157,780		£157,780	MV-STT
BCT3HAL0032	32 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		FR	£174,560		£174,560	MV-STT
BCT3HAL0033	33 Hallywell Crescent		Beckton	London	E6 5XP	H	4	£127.29	£127.29		A	£174,560		£174,560	MV-STT
CHRISPULL002	Flat 2 Chris Pullen Way		Holloway	London	N7 9FG	F	1	£105.19	£105.19		A	£184,630		£184,630	MV-STT
CHRISPULL004	FLAT 4 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL006	FLAT 6 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	1	£100.34	£100.34		A	£184,630		£184,630	MV-STT
CHRISPULL008	FLAT 8 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL010	FLAT 10 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	3	£134.00	£134.00		A	£302,130		£302,130	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
CHRISPULL012	FLAT 12 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL014	FLAT 14 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	1	£100.54	£100.54		A	£184,630		£184,630	MV-STT
CHRISPULL016	FLAT 16 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL018	FLAT 18 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	3	£134.97	£134.97		A	£302,130		£302,130	MV-STT
CHRISPULL020	FLAT 20 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL022	FLAT 22 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	1	£101.50	£101.50		A	£184,630		£184,630	MV-STT
CHRISPULL024	FLAT 24 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL026	FLAT 26 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	3	£134.97	£134.97		A	£302,130		£302,130	MV-STT
CHRISPULL028	FLAT 28 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL030	FLAT 30 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	1	£102.47	£102.47		A	£184,630		£184,630	MV-STT
CHRISPULL032	FLAT 32 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL034	FLAT 34 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	3	£134.97	£134.97		A	£302,130		£302,130	MV-STT
CHRISPULL036	FLAT 36 Chris Pullen Way, Flats 2-36	Chris Pullen Way	Holloway	London	N7 9FG	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CHRISPULL038	FLAT 38 Chris Pullen Way		Holloway	London	N7 9FG	F	3	£131.61		75%	SO		£136,840	£136,840	EUV-SH
CHRISPULL040	FLAT 40 Chris Pullen Way		Holloway	London	N7 9FG	F	2	£96.63		60%	SO		£100,470	£100,470	EUV-SH
CHRISPULL042	FLAT 42 Chris Pullen Way		Holloway	London	N7 9FG	F	1	£84.13		70%	SO		£87,480	£87,480	EUV-SH
CHRISPULL044	44 Chris Pullen Way 44-58 (evens)	Chris Pullen Way	Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL046	46 Chris Pullen Way 44-58 (evens)	Chris Pullen Way	Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL048	48 Chris Pullen Way 44-58 (evens)	Chris Pullen Way	Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL050	50 Chris Pullen Way 44-58 (evens)	Chris Pullen Way	Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL052	52 Chris Pullen Way 44-58 (evens)	Chris Pullen Way	Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL054	54 Chris Pullen Way		Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL056	56 Chris Pullen Way		Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CHRISPULL058	58 Chris Pullen Way		Holloway	London	N7 9FG	H	4	£143.57	£155.47		A	£386,050		£386,050	MV-STT
CLOCKVIEW078	FLAT 78 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CLOCKVIEW080	FLAT 80 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£100.54	£100.54		A	£184,630		£184,630	MV-STT
CLOCKVIEW082	FLAT 82 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£101.50	£101.50		A	£184,630		£184,630	MV-STT
CLOCKVIEW084	FLAT 84 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£101.50	£101.50		A	£234,990		£234,990	MV-STT
CLOCKVIEW086	FLAT 86 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CLOCKVIEW088	FLAT 88 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£100.54	£100.54		A	£184,630		£184,630	MV-STT
CLOCKVIEW090	FLAT 90 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£101.50	£101.50		A	£184,630		£184,630	MV-STT
CLOCKVIEW092	FLAT 92 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£127.87	£127.87		A	£234,990		£234,990	MV-STT
CLOCKVIEW094	FLAT 94 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CLOCKVIEW096	FLAT 96 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£100.54	£100.54		A	£184,630		£184,630	MV-STT
CLOCKVIEW098	FLAT 98 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£101.50	£101.50		A	£184,630		£184,630	MV-STT
CLOCKVIEW100	FLAT 100 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£127.87	£127.87		A	£234,990		£234,990	MV-STT
CLOCKVIEW102	FLAT 102 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CLOCKVIEW104	FLAT 104 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£101.50	£101.50		A	£184,630		£184,630	MV-STT
CLOCKVIEW106	FLAT 106 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£103.43	£103.43		A	£184,630		£184,630	MV-STT
CLOCKVIEW108	FLAT 108 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£127.87	£127.87		A	£234,990		£234,990	MV-STT
CLOCKVIEW110	FLAT 110 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	2	£124.98	£124.98		A	£234,990		£234,990	MV-STT
CLOCKVIEW112	FLAT 112 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£102.47	£102.47		A	£184,630		£184,630	MV-STT
CLOCKVIEW114	FLAT 114 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£103.43	£103.43		A	£184,630		£184,630	MV-STT
CLOCKVIEW116	FLAT 116 Clock View Crescent Flt 78-116	Clock View Crescent	Holloway	London	N7 9GP	F	1	£99.57	£99.57		A	£184,630		£184,630	MV-STT
COTRDICGN001	1 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	2	£105.20	£105.20		A		£62,270	£62,270	EUV-SH
COTRDICGN003	3 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	3	£117.85	£117.85		A		£69,760	£69,760	EUV-SH
COTRDICGN005	5 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	3	£116.76	£117.85		A		£69,110	£69,110	EUV-SH
COTRDICGN007	7 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	3	£117.85	£117.85		A		£69,760	£69,760	EUV-SH
COTRDICGN009	9 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	2	£105.20	£105.20		A		£62,270	£62,270	EUV-SH
COTRDICGN011	11 Cotton Road		Portsmouth	Hampshire	PO3 6FL	H	2	£105.20	£105.20		A		£62,270	£62,270	EUV-SH
COURTFARM095	95 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	3	£97.34	£97.34		A		£57,620	£57,620	EUV-SH
COURTFARM097	97 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	3	£97.34	£97.34		A		£57,620	£57,620	EUV-SH
COURTFARM099	99 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	3	£97.34	£97.34		A		£57,620	£57,620	EUV-SH
COURTFARM101	101 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	4	£102.68	£102.68		A		£62,900	£62,900	EUV-SH
COURTFARM103	103 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	2	£84.50	£84.50		A		£50,020	£50,020	EUV-SH
COURTFARM105	105 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	2	£84.50	£84.50		A		£50,020	£50,020	EUV-SH
COURTFARM107	107 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	3	£97.34	£97.34		A		£57,620	£57,620	EUV-SH
COURTFARM109	109 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	2	£84.50	£84.50		A		£50,020	£50,020	EUV-SH
COURTFARM111	111 Court Farm Road		Newhaven	East Sussex	BN9 9DY	H	2	£84.50	£84.50		A		£50,020	£50,020	EUV-SH
CRAIGMEADOWS006	FLAT 6 Craig Meadows Flats 6-16	Craig Meadows	Ringmer	East Sussex	BN8 5FB	F	2	£54.06		50%	SO		£56,210	£56,210	EUV-SH
CRAIGMEADOWS012	FLAT 12 Craig Meadows Flats 6-16	Craig Meadows	Ringmer	East Sussex	BN8 5FB	F	2	£64.68		60%	SO		£67,250	£67,250	EUV-SH



## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
CRAIGMEADOWS014	Flat 14 Craig Meadows	Ringmer		East Sussex	BN8 5FB	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
CRAIGMEADOWS016	FLAT 16 Craig Meadows Flats 6-16	Craig Meadows	Ringmer	East Sussex	BN8 5FB	F	2	£53.74		50%	SO		£55,870	£55,870	EUV-SH
CRAIGMEADOWS038	FLAT 38 Craig Meadows	Craig Meadows	Ringmer	East Sussex	BN8 5FB	F	1	£69.52	£69.52		A		£41,150	£41,150	EUV-SH
CRAIGMEADOWS040	FLAT 40 Craig Meadows	Craig Meadows	Ringmer	East Sussex	BN8 5FB	F	1	£69.52	£69.52		A		£41,150	£41,150	EUV-SH
CRAIGMEADOWS08	Flat 8 Craig Meadows	Ringmer		East Sussex	BN8 5FB	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
CRAIGMEADOWS10	Flat 10 Craig Meadows	Ringmer		East Sussex	BN8 5FB	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
CRAIGMEADOWS30	Flat 30 Craig Meadows	Ringmer		East Sussex	BN8 5FB	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
CRAIGMEADOWS36	34 Craig Meadows		Ringmer	East Sussex	BN8 5FB	H	3	£77.93		50%	SO		£81,020	£81,020	EUV-SH
	36 Craig Meadows		Ringmer	East Sussex	BN8 5FB	H	3	£111.19		70%	SO		£115,610	£115,610	EUV-SH
DRAKCLS0055	55 Drake Close		Horsham	West Sussex	RH12 5UD	H	2	£110.78	£110.78		A	£137,330		£137,330	MV-STT
DROVWAY023	23 Drovers Way 23-29 (odds)	Drovers Way	Holloway	London	N7 9FN	H	5	£151.85	£163.24		A	£436,400		£436,400	MV-STT
DROVWAY025	25 Drovers Way 23-29 (odds)	Drovers Way	Holloway	London	N7 9FN	H	5	£150.64	£163.24		A	£436,400		£436,400	MV-STT
DROVWAY027	27 Drovers Way 23-29 (odds)	Drovers Way	Holloway	London	N7 9FN	H	5	£151.85	£163.24		A	£436,400		£436,400	MV-STT
DROVWAY029	29 Drovers Way 23-29 (odds)	Drovers Way	Holloway	London	N7 9FN	H	5	£150.64	£163.24		A	£436,400		£436,400	MV-STT
DROVWAY121	FLAT 121 Drovers Way		Holloway	London	N7 9FN	STAFF		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
DROVWAYSO001	FLAT 1 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£118.99		75%	SO		£123,720	£123,720	EUV-SH
DROVWAYSO001A	FLAT 1A Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	1	£82.93		75%	SO		£86,230	£86,230	EUV-SH
DROVWAYSO003	FLAT 3 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	3	£140.63		75%	SO		£146,210	£146,210	EUV-SH
DROVWAYSO003A	FLAT 3A Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£118.99		75%	SO		£123,720	£123,720	EUV-SH
DROVWAYSO005	FLAT 5 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	1	£73.44		65%	SO		£76,360	£76,360	EUV-SH
DROVWAYSO005A	FLAT 5A Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	3	£100.96		60%	SO		£104,970	£104,970	EUV-SH
DROVWAYSO007	FLAT 7 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£127.10		75%	SO		£132,150	£132,150	EUV-SH
DROVWAYSO007A	FLAT 7A Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	1	£86.54		75%	SO		£89,980	£89,980	EUV-SH
DROVWAYSO009	FLAT 9 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	3	£119.47		70%	SO		£124,220	£124,220	EUV-SH
DROVWAYSO011	FLAT 11 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£122.60		75%	SO		£127,470	£127,470	EUV-SH
DROVWAYSO013	FLAT 13 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£102.40		60%	SO		£106,470	£106,470	EUV-SH
DROVWAYSO015	FLAT 15 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	1	£76.56		65%	SO		£79,600	£79,600	EUV-SH
DROVWAYSO017	FLAT 17 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	3	£103.85		60%	SO		£107,970	£107,970	EUV-SH
DROVWAYSO019	FLAT 19 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	F	2	£106.25		65%	SO		£110,470	£110,470	EUV-SH
DROVWAYSO021	FLAT 21 Drovers Way, Flats 1-21	Drovers Way	Holloway	London	N7 9FN	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
FELLWAY0022	22 Fellcott Way		Horsham	West Sussex	RH12 1UQ	H	2	£106.31	£106.31		A	£134,060		£134,060	MV-STT
FLINTWAY007	7 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£95.76		75%	SO		£99,570	£99,570	EUV-SH
FLINTWAY008	8 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£102.60		75%	SO		£106,680	£106,680	EUV-SH
FLINTWAY009	9 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£60.19		55%	SO		£62,580	£62,580	EUV-SH
FLINTWAY010	10 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£65.67		60%	SO		£68,270	£68,270	EUV-SH
FLINTWAY011	11 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY012	12 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£65.67		60%	SO		£68,270	£68,270	EUV-SH
FLINTWAY014	14 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£65.67		75%	SO		£68,270	£68,270	EUV-SH
FLINTWAY015	15 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£99.48	£99.48		A	£137,940		£137,940	MV-STT
FLINTWAY016	16 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£95.76		70%	SO		£99,570	£99,570	EUV-SH
FLINTWAY017	17 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£99.48	£99.48		A	£137,940		£137,940	MV-STT
FLINTWAY018	18 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£99.48	£99.48		A	£137,940		£137,940	MV-STT
FLINTWAY019	19 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY020	20 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY021	21 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY022	22 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY023	23 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£71.14		65%	SO		£73,960	£73,960	EUV-SH
FLINTWAY024	24 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£87.71	£87.71		A	£118,230		£118,230	MV-STT
FLINTWAY025	25 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£65.67		60%	SO		£68,270	£68,270	EUV-SH
FLINTWAY026	26 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	2	£60.19		55%	SO		£62,580	£62,580	EUV-SH
FLINTWAY027	27 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£82.99		65%	SO		£86,290	£86,290	EUV-SH
FLINTWAY028	28 Flint Way		Peacehaven	East Sussex	BN10 8GN	H	3	£86.82		68%	SO		£90,270	£90,270	EUV-SH
FRENCHS0001	FLAT 1 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0002	FLAT 2 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0003	FLAT 3 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0004	FLAT 4 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0005	FLAT 5 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0006	FLAT 6 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0007	FLAT 7 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0008	FLAT 8 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0009	FLAT 9 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
FRENCHS0010	FLAT 10 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0011	FLAT 11 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0012	FLAT 12 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0014	FLAT 14 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
FRENCHS0015	FLAT 15 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£108.00	£108.00		A	£82,530		£82,530	MV-STT
FRENCHS0016	FLAT 16 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.46	£76.46		A	£82,100		£82,100	MV-STT
FRENCHS0017	FLAT 17 French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	1	£76.45	£76.45		A	£82,100		£82,100	MV-STT
FRENCHS012A	FLAT 12A French's Court	Steyne Road	Seaford	East Sussex	BN25 1HW	F	2	£87.48	£87.48		A	£101,810		£101,810	MV-STT
GRAPGRA0011	11 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0012	12 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0013	13 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0014	14 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0015	15 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0016	16 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0017	17 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPGRA0018	18 The Graperies	Park Street	Brighton	East Sussex	BN2 2BW	H	2	£94.88	£94.88		FR	£163,480		£163,480	MV-STT
GRAPPAR0041	41 Park Street		Brighton	East Sussex	BN2 0BS	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
GRAPPAR0042	42 Park Street		Brighton	East Sussex	BN2 0BS	H	2	£94.88	£94.88		A	£163,480		£163,480	MV-STT
HUSTDICGN001	FLAT 1 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	1	£82.92	£82.92		A		£49,080	£49,080	EUV-SH
HUSTDICGN002	FLAT 2 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
HUSTDICGN003	FLAT 3 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
HUSTDICGN004	FLAT 4 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	1	£82.92	£82.92		A		£49,080	£49,080	EUV-SH
HUSTDICGN005	FLAT 5 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
HUSTDICGN006	FLAT 6 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£95.58	£95.58		A		£56,570	£56,570	EUV-SH
HUSTDICGN007	FLAT 7 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£95.58	£95.58		A		£56,570	£56,570	EUV-SH
HUSTDICGN008	FLAT 8 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
HUSTDICGN009	FLAT 9 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
HUSTDICGN010	FLAT 10 Hurstbourne House	Cotton Road	Portsmouth	Hampshire	PO3 6FJ	F	2	£94.51	£94.51		A		£55,940	£55,940	EUV-SH
JBABBE4564677	456 Abbey Road		Basingstoke	Hampshire	RG24 9EN	H	3	£108.80	£108.80		A	£112,950		£112,950	MV-STT
JBADAM0934779	93 Adames Road		Fratton	Portsmouth	PO1 5QF	H	3	£104.73	£104.73		A	£88,670		£88,670	MV-STT
JBAKER0384591	38 Akers Way		Moredon	Wiltshire	SN2 2NF	H	3	£101.48	£101.48		A	£78,820		£78,820	MV-STT
JBALIO044707	4 Wallingford Close		Swindon	Wiltshire	SN5 8BS	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBALPI0102539	10 Alpine Court		Basingstoke	Hampshire	RG22 5EF	H	1	£88.90	£88.90		A	£78,470		£78,470	MV-STT
JBAMIT0912499	91 Amity Road		Reading	Berkshire	RG1 3LW	H	2	£109.65	£109.65		A	£114,440		£114,440	MV-STT
JBAMST0122497	12 Amity Street		Reading	Berkshire	RG1 3LP	H	2	£109.65	£109.65		A	£114,440		£114,440	MV-STT
JBAMST0162498	16 Amity Street		Reading	Berkshire	RG1 3LP	H	2	£109.65	£109.65		A	£114,440		£114,440	MV-STT
JBARST0064401	6 Arundel Street		Brighton	East Sussex	BN2 5TG	H	5	£127.33	£127.33		A	£277,920		£277,920	MV-STT
JBARST006A4402	FLAT 6A Arundel Street		Brighton	East Sussex	BN2 5TG	F	1	£72.26	£72.26		A	£104,630		£104,630	MV-STT
JBASHL0014379	1 Ashley Close		Swindon	Wiltshire	SN3 3AP	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBASHL0064719	6 Ashley Close		Swindon	Wiltshire	SN3 3AP	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBBATR0124563	12 Bay Tree Court		Swindon	Wiltshire	SN2 1TQ	H	2	£92.50	£92.50		A	£62,400		£62,400	MV-STT
JBBECL0934703	93 Beaulieu Close		Swindon	Wiltshire	SN5 8AJ	H	4	£109.11	£109.11		A	£82,100		£82,100	MV-STT
JBBELS0032546	3 Belgrave Street		Swindon	Wiltshire	SN1 3HR	H	2	£92.50	£92.50		A	£78,820		£78,820	MV-STT
JBBIIRD0013561	1 Birch Drive		Gosport	Hampshire	PO13 0UN	H	3	£118.30	£118.30		A	£91,960		£91,960	MV-STT
JBBL000494728	49 Bloomsbury Close		Swindon	Wiltshire	SN5 8PG	H	4	£109.11	£109.11		A		£64,580	£64,580	EUV-SH
JBBOCO394963	39 Boscombe Road		Swindon	Wiltshire	SN25 3EZ	H	3	£97.12	£97.12		A	£75,540		£75,540	MV-STT
JBBOUN0572535	57 Boundary Road		Newbury	Berkshire	RG14 7PG	H	5	£153.75	£157.49		A	£163,480		£163,480	MV-STT
JBBOWL0554689	55 Bowleymead		Swindon	Wiltshire	SN3 3TD	H	4	£109.11	£109.11		A	£91,960		£91,960	MV-STT
JBBRCL0584676	58 Browning Close		Basingstoke	Hampshire	RG24 9DQ	H	3	£108.80	£108.80		A	£94,820		£94,820	MV-STT
JBBRIC0414696	41 Brickham Road		Devizes	Wiltshire	SN10 2SR	H	2	£95.22	£95.22		A	£87,150		£87,150	MV-STT
JBUCUL0224688	22 Buckland Close		Swindon	Wiltshire	SN3 2RP	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBCADR0924593	92 Castle Dore		Swindon	Wiltshire	SN5 8PH	H	2	£92.50	£92.50		A	£72,250		£72,250	MV-STT
JBCARD0314714	31 Castleton Road		Swindon	Wiltshire	SN5 9GE	H	2	£92.50	£92.50		A	£78,820		£78,820	MV-STT
JBCEDA0272553	27 Cedars Close		Swindon	Wiltshire	SN2 1JW	H	5	£116.72	£116.72		A	£98,530		£98,530	MV-STT
JBCHEP0164723	16 Chepstow Close		Swindon	Wiltshire	SN5 8BP	H	3	£101.48	£101.48		A	£88,670		£88,670	MV-STT
JBCHIL0402487	40 Chilton Way		Hungerford	Berkshire	RG17 0JR	H	4	£147.88	£147.88		A	£153,670		£153,670	MV-STT
JBCHIL0492488	49 Chilton Way		Hungerford	Berkshire	RG17 0JR	H	4	£147.88	£147.88		A	£153,670		£153,670	MV-STT
JBCHRI0014011	FLAT 1 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0024012	FLAT 2 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0034013	FLAT 3 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0044014	FLAT 4 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
JBCHRI0054015	FLAT 5 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0064016	FLAT 6 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0074017	FLAT 7 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0084018	FLAT 8 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A	£85,830		£85,830	MV-STT
JBCHRI0094019	FLAT 9 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0104020	FLAT 10 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0114021	FLAT 11 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0124022	FLAT 12 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0134023	FLAT 13 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0144024	FLAT 14 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0154025	FLAT 15 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0164026	FLAT 16 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0174027	FLAT 17 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0184028	FLAT 18 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0194029	FLAT 19 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0204030	FLAT 20 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0214031	FLAT 21 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0224032	FLAT 22 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0234033	FLAT 23 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0244034	FLAT 24 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0254035	FLAT 25 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0264036	FLAT 26 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0274037	FLAT 27 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0284038	FLAT 28 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0294039	FLAT 29 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0304040	FLAT 30 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0314041	FLAT 31 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0324042	FLAT 32 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0334043	FLAT 33 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0344044	FLAT 34 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	2	£80.60	£80.60		A		£47,710	£47,710	EUV-SH
JBCHRI0354045	FLAT 35 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0364046	FLAT 36 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCHRI0374047	FLAT 37 Christchurch Court	West Quay	Newhaven	East Sussex	BN9 9BQ	F	1	£72.26	£72.26		A		£42,770	£42,770	EUV-SH
JBCLEV0222529	22 Cleveland Grove		Newbury	Berkshire	RG14 1XF	H	4	£137.01	£137.01		A	£163,480		£163,480	MV-STT
JBCLIF1362536	136 Clifton Street		Swindon	Wiltshire	SN1 3QB	H	2	£92.50	£92.50		A	£78,820		£78,820	MV-STT
JBCONI0194706	19 Conisborough	Toothill	Swindon	Wiltshire	SN5 8ES	H	2	£92.50	£92.50		A	£78,820		£78,820	MV-STT
JBCORD0144710	14 Coombe Road	Moredon	Swindon	Wiltshire	SN25 3DZ	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBcotC0084946	8 Cottington Close	Freshbrook	Swindon	Wiltshire	SN5 8PY	H	3	£101.48	£101.48		A	£78,820		£78,820	MV-STT
JBcotC0214727	21 Cottington Close	Freshbrook	Swindon	Wiltshire	SN5 8PX	H	3	£101.48	£101.48		A	£78,820		£78,820	MV-STT
JBcyps0364849	36 Cyprus Road		Portsmouth	Hampshire	PO2 7QA	H	2	£95.46	£95.46		A	£82,100		£82,100	MV-STT
JBdenH0294718	29 Denholme Road		Swindon	Wiltshire	SN3 2DN	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBdold0012142	1 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£71,870	£71,870	EUV-SH
JBdold0022143	2 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0032144	3 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0042145	4 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0052146	5 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0062147	6 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0072148	7 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0082149	8 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0092150	9 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0102151	10 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0112152	11 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0122153	12 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0142154	14 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0152155	15 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	H	2	£109.65	£109.65		A		£73,450	£73,450	EUV-SH
JBdold0162156	FLAT 16 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBdold0172157	FLAT 17 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBdold0182158	FLAT 18 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBdold0192159	FLAT 19 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBdold0202160	FLAT 20 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBdold0212161	FLAT 21 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH

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JBDOLD0222162	FLAT 22 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0232163	FLAT 23 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0242164	FLAT 24 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0252165	FLAT 25 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0262166	FLAT 26 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0272167	FLAT 27 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0282168	FLAT 28 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0292169	FLAT 29 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0302170	FLAT 30 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0312171	FLAT 31 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0322172	FLAT 32 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDOLD0332173	FLAT 33 Donnington Lodge	Oxford Road	Donnington	Berkshire	RG14 3AA	F	1	£90.26	£90.26		A		£60,460	£60,460	EUV-SH
JBDONN0382509	38 Donnington Gardens		Reading	Berkshire	RG1 5LY	H	2	£104.06	£109.65		FR	£160,210		£160,210	MV-STT
JBDORD0334113	33 Downland Road		Upper Beeding	West Sussex	BN44 3JS	H	3	£119.14	£119.14		A	£130,790		£130,790	MV-STT
JBDULV0304722	30 Dulverton Avenue		Swindon	Wiltshire	SN3 2NS	H	2	£92.50	£92.50		A	£72,250		£72,250	MV-STT
JBEPSO0312527	31 Epsom Crescent		Newbury	Berkshire	RG14 7TR	H	3	£140.99	£140.99		A	£147,140		£147,140	MV-STT
JBEWBU0044715	4 Newbury Drive	Freshbrook	Swindon	Wiltshire	SN5 8PA	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBFIRS0112490	11 The Firs		Thatcham	Berkshire	RG18 3EX	H	4	£137.01	£137.01		A	£192,910		£192,910	MV-STT
JBFOXG0092483	9 Foxglove Road	Haydon Wick	Swindon	Wiltshire	SN25 1SG	H	3	£101.48	£101.48		A	£105,090		£105,090	MV-STT
JBFRI0012479	1 Frittillary Court		Swindon	Wiltshire	SN1 2LJ	H	1	£83.53	£83.53		A	£59,120		£59,120	MV-STT
JBFROB0044378	4 Frobisher Drive		Swindon	Wiltshire	SN3 3AA	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBFROB1412551	141 Frobisher Drive		Swindon	Wiltshire	SN3 3BY	H	3	£101.48	£101.48		A	£75,540		£75,540	MV-STT
JBFROD0024764	2 Froddington Road		Southsea	Hampshire	PO5 4LB	H	2	£95.46	£95.46		A	£85,390		£85,390	MV-STT
JBGEO0112477	11 George Street		Swindon	Wiltshire	SN1 5HE	H	2	£92.50	£92.50		A	£70,610		£70,610	MV-STT
JBGREA1641405	164 Great Knollys Street		Reading	Berkshire	RG1 7HB	H	2	£109.65	£109.65		A	£130,790		£130,790	MV-STT
JBGREA1681406	168 Great Knollys Street		Reading	Berkshire	RG1 7HB	H	2	£109.65	£109.65		A	£130,790		£130,790	MV-STT
JBGROS0012537	1 Groves Street	Rodbourne	Swindon	Wiltshire	SN2 2BW	H	2	£92.50	£92.50		A	£82,100		£82,100	MV-STT
JBGULD0423560	42 Guildford Road		Rustington	West Sussex	BN16 3JJ	H	3	£108.28	£108.28		A	£104,630		£104,630	MV-STT
JBGURD0334768	33 Guildford Road		Portsmouth	Hampshire	PO1 5HU	H	3	£103.23	£104.73		A	£85,390		£85,390	MV-STT
JBGURD1054780	105 Guildford Road		Portsmouth	Hampshire	PO1 5EA	H	3	£104.73	£104.73		A	£85,390		£85,390	MV-STT
JBHAIL0044653	4 Hallstone Road		Basingstoke	Hampshire	RG21 5RY	H	2	£100.88	£100.88		A	£107,900		£107,900	MV-STT
JBHATH0172510	17 Hatherley Road		Reading	Berkshire	RG1 5QA	H	2	£104.06	£109.65		FR	£130,790		£130,790	MV-STT
JBHLMW0064697	6 Holmfield		West Lavington	Wiltshire	SN10 4HX	H	2	£95.22	£95.22		A	£85,390		£85,390	MV-STT
JBHOLB0014552	1 Holbein Close, Grange Park		Swindon	Wiltshire	SN5 6DF	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBHOME0243566	24 Homefield Road		Westbourne	West Sussex	PO10 8TN	H	2	£126.09	£126.09		A	£104,630		£104,630	MV-STT
JBJODR0024114	2 Johnson Drive		Burgess Hill	West Sussex	RH15 0TT	H	3	£119.14	£119.14		A	£140,600		£140,600	MV-STT
JBKENI0314118	31 Kenilworth Close		Broadfield, Crawley	West Sussex	RH11 9PY	H	1	£92.30	£92.30		A	£78,470		£78,470	MV-STT
JBKIAV0252552	25 Kingswood Avenue		Swindon	Wiltshire	SN3 2RB	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBKIMB0194716	19 Kimbolton Close	Freshbrook	Swindon	Wiltshire	SN5 8RE	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBKIMB0224717	22 Kimbolton Close	Freshbrook	Swindon	Wiltshire	SN5 8RE	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBKIMR0084965	8 Kimberley Road		Swindon	Wiltshire	SN3 2JA	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBKNGR0014436	FLAT 1 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0024437	FLAT 2 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0032245	FLAT 3 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0042246	FLAT 4 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0052247	FLAT 5 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0062248	FLAT 6 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0072249	FLAT 7 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKNGR0082250	FLAT 8 163 Kings Road	Kings Road	Reading	Berkshire	RG1 4EX	F	1	£86.46	£86.46		A	£94,820		£94,820	MV-STT
JBKLAMB0134470	13 Lambert Close	Freshbrook	Swindon	Wiltshire	SN5 8NY	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBLECL0254469	25 Leslie Close	Freshbrook	Swindon	Wiltshire	SN5 8QT	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBLENN0964729	96 Lennox Drive		Swindon	Wiltshire	SN3 3BD	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBLST0232512	23 Little Street		Reading	Berkshire	RG1 7PB	H	2	£109.65	£109.65		A	£104,630		£104,630	MV-STT
JBLVIO0314110	31 Livingstone Road		Hove	East Sussex	BN3 3WP	H	3	£116.11	£116.11		A	£235,420		£235,420	MV-STT
JBLORD2183564	218 London Road		Bognor Regis	West Sussex	PO21 1AX	H	2	£96.21	£96.21		A	£107,900		£107,900	MV-STT
JBLOVE0393555	39 Loveys Road		Yapton	West Sussex	BN18 0HQ	H	3	£108.28	£108.28		A	£111,170		£111,170	MV-STT
JBLUDD0464708	46 Luddesdown Road	Toothill	Swindon	Wiltshire	SN5 8HJ	H	2	£92.50	£92.50		A	£72,250		£72,250	MV-STT
JBMAGN0014742	1 Magnolia Court		Swindon	Wiltshire	SN2 1TN	H	4	£109.11	£109.11		A	£82,100		£82,100	MV-STT
JBMANC0032550	3 Manor Crescent	Moredon	Swindon	Wiltshire	SN2 2LG	H	4	£109.11	£109.11		A	£91,960		£91,960	MV-STT
JBMARL0134675	13 Marlowe Close		Basingstoke	Hampshire	RG24 9DD	H	3	£108.80	£108.80		A	£94,820		£94,820	MV-STT
JBMARNO724711	72 Marney Road, Grange Park		Swindon	Wiltshire	SN5 6AW	H	2	£92.50	£92.50		A	£70,610		£70,610	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
JBMEC0084695	8 The Mercers		West Lavington	Wiltshire	SN10 4BE	H	2	£95.22	£95.22		A	£75,540		£75,540	MV-STT
JBMEYR0222528	22 Meyrick Drive		Newbury	Berkshire	RG14 6SX	H	3	£140.99	£140.99		A	£176,560		£176,560	MV-STT
JBMNPL0832516	83 Mount Pleasant		Reading	Berkshire	RG1 2TF	H	1	£88.60	£94.62		FR	£94,820		£94,820	MV-STT
JBNAUN0354611	35 Naunton Road		Swindon	Wiltshire	SN3 3DQ	H	3	£101.48	£101.48		A	£75,540		£75,540	MV-STT
JBNEWC0424769	42 Newcomen Road	Stamshaw	Portsmouth	Hampshire	PO2 8LB	H	2	£95.46	£95.46		A	£82,100		£82,100	MV-STT
JBNLAV0774767	77 Nelson Avenue	Stamshaw	Portsmouth	Hampshire	PO2 8NJ	H	2	£95.46	£95.46		A	£82,100		£82,100	MV-STT
JBNOFK0532517	53 Norfolk Road		Reading	Berkshire	RG30 2EG	H	3	£121.97	£121.97		A	£117,710		£117,710	MV-STT
JBNORD0072542	7 Northern Road		Swindon	Wiltshire	SN2 1NY	H	3	£101.48	£101.48		A	£105,090		£105,090	MV-STT
JBONORM0694650	69 Normanton Road		Basingstoke	Hampshire	RG21 5QP	H	3	£108.80	£108.80		A	£101,360		£101,360	MV-STT
JBOKAH0084725	8 Oakham Close	Toothill	Swindon	Wiltshire	SN5 8DZ	H	3	£101.48	£101.48		A	£72,250		£72,250	MV-STT
JBOKAH0504726	50 Oakham Close	Toothill	Swindon	Wiltshire	SN5 8DZ	H	3	£101.48	£101.48		A	£72,250		£72,250	MV-STT
JBORKN0204651	20 Orkney Close		Basingstoke	Hampshire	RG24 9AR	H	3	£108.80	£108.80		A	£94,820		£94,820	MV-STT
JBOSBR0562544	56 Osborne Street		Swindon	Wiltshire	SN2 1DA	H	2	£92.50	£92.50		A	£82,100		£82,100	MV-STT
JBOSIE0084765	8 Osier Close	Tipner	Portsmouth	Hampshire	PO2 8ST	H	2	£95.46	£95.46		A	£82,100		£82,100	MV-STT
JBPEAR0312491	31 Pear Tree Lane		Newbury	Berkshire	RG14 2LU	H	4	£156.03	£156.03		A	£186,370		£186,370	MV-STT
JBPENR0512554	51 Pendennis Road	Freshbrook	Swindon	Wiltshire	SN5 8QH	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBPRIR0134964	13 Priory Road		Swindon	Wiltshire	SN3 2HA	H	3	£101.48	£101.48		A	£82,100		£82,100	MV-STT
JBPRTN0554393	55 Purton Road	Moredon	Swindon	Wiltshire	SN2 2LT	H	3	£101.48	£101.48		A	£78,820		£78,820	MV-STT
JBPRTR0382478	38 Portal Road	Pinehurst	Swindon	Wiltshire	SN2 1PT	H	3	£101.48	£101.48		A	£52,550		£52,550	MV-STT
JBQUIL0754647	75 Quilter Road		Basingstoke	Hampshire	RG22 4HD	H	2	£100.88	£100.88		A	£98,090		£98,090	MV-STT
JBRADN0382480	38 Radnor Street		Swindon	Wiltshire	SN1 3PR	H	2	£92.50	£92.50		A	£72,250		£72,250	MV-STT
JBMAV0914641	91 Ramsbury Avenue	Penhill	Swindon	Wiltshire	SN2 5NY	H	2	£92.50	£92.50		A	£49,260		£49,260	MV-STT
JBROSS0344654	34 Rossini Close		Basingstoke	Hampshire	RG22 4JB	H	2	£100.88	£100.88		A	£101,360		£101,360	MV-STT
JBSEDG0012495	1 Sedgfield Road		Newbury	Berkshire	RG14 7TL	H	4	£137.01	£137.01		A	£173,290		£173,290	MV-STT
JBSHAF2564713	256 Shaftesbury Avenue		Swindon	Wiltshire	SN3 2BE	H	3	£101.48	£101.48		A	£72,250		£72,250	MV-STT
JBSHEL0244709	24 Shellfinch	Toothill	Swindon	Wiltshire	SN5 8AR	H	2	£92.50	£92.50		A	£75,540		£75,540	MV-STT
JBSHRE0144704	14 Shrewton Walk	Penhill	Swindon	Wiltshire	SN2 5LZ	H	2	£92.50	£92.50		A	£62,400		£62,400	MV-STT
JBGOGD0022530	2 Southwood Gardens		Burghfield Common	Berkshire	RG7 3HY	H	3	£140.99	£140.99		A	£114,440		£114,440	MV-STT
JBSTNC0034465	3 Stanway Close		Swindon	Wiltshire	SN3 2HP	H	4	£109.11	£109.11		A	£88,670		£88,670	MV-STT
JBSTON0302519	30 Stone Street		Reading	Berkshire	RG30 1HU	H	3	£111.41	£121.97		FR	£120,980		£120,980	MV-STT
JBSWRD0184376	18 Swindon Road		Old Town	Wiltshire	SN1 3JJ	H	1	£83.53	£83.53		A	£65,680		£65,680	MV-STT
JBTENY0092525	9 Tennyson Road		Thatcham	Berkshire	RG18 3FR	H	4	£137.01	£137.01		A	£147,140		£147,140	MV-STT
JBTLB0034057	3 Tilbury Place		Brighton	East Sussex	BN2 0GY	H	4	£119.00	£119.00		A	£245,230		£245,230	MV-STT
JBTLB0044058	4 Tilbury Place		Brighton	East Sussex	BN2 0GY	H	4	£119.00	£119.00		A	£245,230		£245,230	MV-STT
JBTLB005A4059	FLAT 5A Tilbury Place		Brighton	East Sussex	BN2 0GY	F	1	£72.26	£72.26		A	£101,360		£101,360	MV-STT
JBTLB005B4060	FLAT 5B Tilbury Place		Brighton	East Sussex	BN2 0GY	F	1	£72.26	£72.26		A	£101,360		£101,360	MV-STT
JBTLB005C4061	FLAT 5C Tilbury Place		Brighton	East Sussex	BN2 0GY	F	1	£72.26	£72.26		A	£101,360		£101,360	MV-STT
JBTLB005D4062	FLAT 5D Tilbury Place		Brighton	East Sussex	BN2 0GY	F	1	£72.26	£72.26		A	£101,360		£101,360	MV-STT
JBTIMO0054652	5 Timor Close		Basingstoke	Hampshire	RG24 9PB	H	2	£100.88	£100.88		A	£94,820		£94,820	MV-STT
JBTIVE0874648	87 Tiverton Road		Basingstoke	Hampshire	RG23 8EJ	H	2	£100.88	£100.88		A	£104,630		£104,630	MV-STT
JBTORO0134783	13 Toronto Road		Portsmouth	Hampshire	PO2 7QB	H	2	£95.46	£95.46		A	£78,820		£78,820	MV-STT
JBTRHL0022494	2 Tarrants Hill		Hungerford	Berkshire	RG17 0BL	H	2	£109.65	£109.65		A	£111,170		£111,170	MV-STT
JBTRNP0822531	82 Turnpike Road		Newbury	Berkshire	RG14 2NF	H	5	£162.92	£162.92		A	£160,210		£160,210	MV-STT
JBTWYF1363546	136 Twyford Avenue	Stamshaw	Portsmouth	Hampshire	PO2 8DL	H	3	£100.71	£104.73		A	£88,670		£88,670	MV-STT
JBWASH0032520	3 Washington Road		Reading	Berkshire	RG4 5AA	H	2	£100.03	£109.65		FR	£153,670		£153,670	MV-STT
JBWDAN0532486	53 Wendan Road		Newbury	Berkshire	RG14 7AJ	H	4	£156.03	£156.03		A	£179,830		£179,830	MV-STT
JBWELC3164966	316 Welcombe Avenue		Swindon	Wiltshire	SN3 2PE	H	2	£93.04	£93.04		A	£72,250		£72,250	MV-STT
JBWENL0512532	51 Wenlock Way		Thatcham	Berkshire	RG19 3SQ	H	3	£140.99	£140.99		A	£130,790		£130,790	MV-STT
JBWERD0312489	31 Westwood Road		Newbury	Berkshire	RG14 7TH	H	4	£156.03	£156.03		A	£196,180		£196,180	MV-STT
JBWINC0414807	41 Winchester Road	Buckland	Portsmouth	Hampshire	PO2 7PS	H	3	£104.73	£104.73		A	£85,390		£85,390	MV-STT
JBWINP0034380	3 Windmill Piece		Swindon	Wiltshire	SN4 0NY	H	3	£101.48	£101.48		A	£85,390		£85,390	MV-STT
JBWINW0304472	30 Winwick Road		Swindon	Wiltshire	SN5 8NF	H	2	£92.50	£92.50		A	£72,250		£72,250	MV-STT
JBWLIN1012521	101 Watlington Street		Reading	Berkshire	RG1 4RQ	H	3	£121.97	£121.97		A	£156,940		£156,940	MV-STT
JBWLIN1032522	103 Watlington Street		Reading	Berkshire	RG1 4RQ	H	1	£94.62	£94.62		A	£94,820		£94,820	MV-STT
JBWOPK0194699	19 Wood Park		Ludgershall	Wiltshire	SP11 9NS	H	3	£104.19	£104.19		A	£101,810		£101,810	MV-STT
JBWOPK1224698	122 Wood Park		Ludgershall	Wiltshire	SP11 9NT	H	2	£92.50	£92.50		A	£91,960		£91,960	MV-STT
JBWRNC0144687	14 Warneford Close	Toothill	Swindon	Wiltshire	SN5 8AL	H	3	£101.48	£101.48		A	£72,250		£72,250	MV-STT
JBWST0322543	32 Western Street		Swindon	Wiltshire	SN1 3JR	H	2	£92.50	£92.50		A	£82,100		£82,100	MV-STT
JCRTCRT0001	1 Johnsons Court	Sylvan Road	Lancing	West Sussex	BN15 0GA	H	4	£125.53	£125.53		A		£86,050	£86,050	EUV-SH
JCRTCRT0002	2 Johnsons Court	Sylvan Road	Lancing	West Sussex	BN15 0GA	H	4	£123.74	£123.74		A		£84,830	£84,830	EUV-SH
JCRTCRT0003	3 Johnsons Court	Sylvan Road	Lancing	West Sussex	BN15 0GA	H	4	£123.74	£123.74		A		£84,830	£84,830	EUV-SH

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
JCRTCRT0004	4 Johnsons Court	Sylvan Road	Lancing	West Sussex	BN15 0GA	H	4	£124.46	£124.46		A		£85,320	£85,320	EUV-SH
KELSECOTT001	1 Kelsey Cottages	Lewes Road	Ringmer	East Sussex	BN8 5NE	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
KELSECOTT002	2 Kelsey Cottages	Lewes Road	Ringmer	East Sussex	BN8 5NE	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
KELSECOTT003	3 Kelsey Cottages	Lewes Road	Ringmer	East Sussex	BN8 5NE	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
KELSECOTT004	4 Kelsey Cottages	Lewes Road	Ringmer	East Sussex	BN8 5NE	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
KELSECOTT005	5 Kelsey Cottages	Lewes Road	Ringmer	East Sussex	BN8 5NE	H	3	£111.61	£103.76		A	£151,070		£151,070	MV-STT
LISTMEA0001	1 List Meadows		Littlebourne	Kent	CT3 1XW	H	3	£103.50	£103.50		A		£63,270	£63,270	EUV-SH
LISTMEA0002	2 List Meadows		Littlebourne	Kent	CT3 1XW	H	3	£103.50	£103.50		A		£63,270	£63,270	EUV-SH
LISTMEA0003	3 List Meadows		Littlebourne	Kent	CT3 1XW	H	4	£113.91	£113.91		A		£69,630	£69,630	EUV-SH
LISTMEA0004	4 List Meadows		Littlebourne	Kent	CT3 1XW	H	3	£103.50	£103.50		A		£63,270	£63,270	EUV-SH
LISTMEA0005	5 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£93.10	£93.10		A		£56,910	£56,910	EUV-SH
LISTMEA0006	6 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£93.10	£93.10		A		£56,910	£56,910	EUV-SH
LISTMEA0007	7 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£93.10	£93.10		A		£56,910	£56,910	EUV-SH
LISTMEA0008	8 List Meadows		Littlebourne	Kent	CT3 1XW	H	4	£113.91	£113.91		A		£71,260	£71,260	EUV-SH
LISTMEA0009	9 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£93.10	£93.10		A		£56,910	£56,910	EUV-SH
LISTMEA0010	10 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£93.10	£93.10		A		£56,910	£56,910	EUV-SH
LISTMEA0011	11 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£95.29	£95.29		A		£58,250	£58,250	EUV-SH
LISTMEA0012	12 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£95.29	£95.29		A		£58,250	£58,250	EUV-SH
LISTMEA0013	13 List Meadows		Littlebourne	Kent	CT3 1XW	H	2	£95.29	£95.29		A		£58,250	£58,250	EUV-SH
MAKTCVC0001	FLAT 1 Clock View Crescent		Holloway	London	N7 9FR	F	1	£86.09	£86.09		A	£184,630		£184,630	MV-STT
MAKTCVC0003	FLAT 3 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTCVC0005	FLAT 5 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVC0007	FLAT 7 Clock View Crescent		Holloway	London	N7 9FR	F	2	£96.07	£96.07		A	£234,990		£234,990	MV-STT
MAKTCVC0009	FLAT 9 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVC0011	FLAT 11 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVC0013	FLAT 13 Clock View Crescent		Holloway	London	N7 9FR	F	2	£97.60	£97.60		A	£234,990		£234,990	MV-STT
MAKTCVC0015	FLAT 15 Clock View Crescent		Holloway	London	N7 9FR	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTCVC0017	FLAT 17 Clock View Crescent		Holloway	London	N7 9FR			£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTCVC0019	FLAT 19 Clock View Crescent		Holloway	London	N7 9FR	F	2	£98.88	£98.88		A	£234,990		£234,990	MV-STT
MAKTCVC0021	FLAT 21 Clock View Crescent		Holloway	London	N7 9FR	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTCVC0023	FLAT 23 Clock View Crescent		Holloway	London	N7 9FR	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTCVC0025	FLAT 25 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVC0027	FLAT 27 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVC0055	FLAT 55 Clock View Crescent		Holloway	London	N7 9FR	F	2	£123.96	£123.96		A	£234,990		£234,990	MV-STT
MAKTCVC0057	FLAT 57 Clock View Crescent			London	N7 9FR	Leasehold		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTCVC0059	FLAT 59 Clock View Crescent	Holloway		London	N7 9FR	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTCVC0061	FLAT 61 Clock View Crescent	Holloway		London	N7 9FR	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTCVC0063	FLAT 63 Clock View Crescent		Holloway	London	N7 9FR	F	1	£91.44	£91.44		A	£184,630		£184,630	MV-STT
MAKTCVC0065	FLAT 65 Clock View Crescent		Holloway	London	N7 9FR	F	1	£91.44	£91.44		A	£184,630		£184,630	MV-STT
MAKTCVC0067	FLAT 67 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTCVC0069	FLAT 69 Clock View Crescent		Holloway	London	N7 9FR	F	1	£91.50	£91.50		A	£184,630		£184,630	MV-STT
MAKTCVC0071	FLAT 71 Clock View Crescent		Holloway	London	N7 9FR	F	1	£91.44	£91.44		A	£184,630		£184,630	MV-STT
MAKTCVC0073	FLAT 73 Clock View Crescent		Holloway	London	N7 9FR	F	1	£80.11	£80.11		A	£184,630		£184,630	MV-STT
MAKTCVC0075	FLAT 75 Clock View Crescent		Holloway	London	N7 9FR	F	2	£134.73		75%	SO		£140,080	£140,080	EUV-SH
MAKTCVC0077	FLAT 77 Clock View Crescent		Holloway	London	N7 9FR	F	2	£84.29		50%	SO		£87,640	£87,640	EUV-SH
MAKTCVC0079	FLAT 79 Clock View Crescent		Holloway	London	N7 9FR	aircased 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTCVC0081	FLAT 81 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTCVC0083	FLAT 83 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTCVC0087	FLAT 87 Clock View Crescent		Holloway	London	N7 9FR	F	1	£83.43	£83.43		A	£184,630		£184,630	MV-STT
MAKTCVC0118	FLAT 118 Clock View Crescent		Holloway	London	N7 9GP	F	1	£92.60	£92.60		A	£184,630		£184,630	MV-STT
MAKTCVC0120	FLAT 120 Clock View Crescent		Holloway	London	N7 9GP	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTCVT0029	FLAT 29 Clock View Crescent		Holloway	London	N7 9FR	F	3	£115.59	£115.59		A	£302,130		£302,130	MV-STT
MAKTCVT0031	FLAT 31 Clock View Crescent		Holloway	London	N7 9FR	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTCVT0033	FLAT 33 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.88	£104.88		A	£234,990		£234,990	MV-STT
MAKTCVT0035	FLAT 35 Clock View Crescent		Holloway	London	N7 9FR	F	3	£115.59	£115.59		A	£302,130		£302,130	MV-STT
MAKTCVT0037	FLAT 37 Clock View Crescent		Holloway	London	N7 9FR	F	1	£83.08	£83.08		A	£184,630		£184,630	MV-STT
MAKTCVT0039	FLAT 39 Clock View Crescent		Holloway	London	N7 9FR	F	1	£81.70	£81.70		A	£184,630		£184,630	MV-STT
MAKTCVT0041	FLAT 41 Clock View Crescent		Holloway	London	N7 9FR	F	2	£111.43	£111.43		A	£234,990		£234,990	MV-STT
MAKTCVT0043	FLAT 43 Clock View Crescent		Holloway	London	N7 9FR	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTCVT0045	FLAT 45 Clock View Crescent		Holloway	London	N7 9FR	F	1	£81.74	£81.74		A	£184,630		£184,630	MV-STT
MAKTCVT0047	FLAT 47 Clock View Crescent		Holloway	London	N7 9FR	F	1	£81.74	£81.74		A	£184,630		£184,630	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
MAKTCVT0049	FLAT 49 Clock View Crescent		Holloway	London	N7 9FR	F	2	£104.88	£104.88		A	£234,990		£234,990	MV-STT
MAKTCVT0051	FLAT 51 Clock View Crescent		Holloway	London	N7 9FR	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTCVT0053	FLAT 53 Clock View Crescent		Holloway	London	N7 9FR	F	2	£120.21	£120.21		A	£234,990		£234,990	MV-STT
MAKTCVT0085	FLAT 85 Clock View Crescent		Holloway	London	N7 9FR	F	1	£76.45	£76.45		A	£184,630		£184,630	MV-STT
MAKTDRW0085	FLAT 85 Drovers Way		Holloway	London	N7 9FN	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTDRW0087	FLAT 87 Drovers Way		Holloway	London	N7 9FN	F	2	£102.05	£102.05		A	£234,990		£234,990	MV-STT
MAKTDRW0089	FLAT 89 Drovers Way		Holloway	London	N7 9FN	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTDRW0091	FLAT 91 Drovers Way		Holloway	London	N7 9FN	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTDRW0093	FLAT 93 Drovers Way		Holloway	London	N7 9FN	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTDRW0095	FLAT 95 Drovers Way		Holloway	London	N7 9FN	F	1	£104.72	£104.72		A	£184,630		£184,630	MV-STT
MAKTDRW0097	FLAT 97 Drovers Way		Holloway	London	N7 9FN	F	2	£114.63	£114.63		A	£234,990		£234,990	MV-STT
MAKTDRW0099	FLAT 99 Drovers Way		Holloway	London	N7 9FN	F	1	£83.45	£83.45		A	£184,630		£184,630	MV-STT
MAKTDRW0101	FLAT 101 Drovers Way		Holloway	London	N7 9FN	F	1	£83.43	£83.43		A	£184,630		£184,630	MV-STT
MAKTDRW0103	FLAT 103 Drovers Way		Holloway	London	N7 9FN	F	1	£104.24	£104.24		A	£184,630		£184,630	MV-STT
MAKTDRW0105	FLAT 105 Drovers Way		Holloway	London	N7 9FN	F	1	£94.15	£94.15		A	£184,630		£184,630	MV-STT
MAKTDRW0107	FLAT 107 Drovers Way		Holloway	London	N7 9FN	F	2	£126.16	£126.16		A	£234,990		£234,990	MV-STT
MAKTDRW0109	FLAT 109 Drovers Way		Holloway	London	N7 9FN	F	1	£92.34	£92.34		A	£184,630		£184,630	MV-STT
MAKTDRW0111	FLAT 111 Drovers Way		Holloway	London	N7 9FN	F	1	£83.05	£83.05		A	£184,630		£184,630	MV-STT
MAKTDRW0113	FLAT 113 Drovers Way		Holloway	London	N7 9FN	F	1	£104.24	£104.24		A	£184,630		£184,630	MV-STT
MAKTDRW0115	FLAT 115 Drovers Way		Holloway	London	N7 9FN	F	1	£104.24	£104.24		A	£184,630		£184,630	MV-STT
MAKTDRW0117	FLAT 117 Drovers Way		Holloway	London	N7 9FN	F	2	£106.42	£106.42		A	£234,990		£234,990	MV-STT
MAKTDRW0119	FLAT 119 Drovers Way		Holloway	London	N7 9FN	F	1	£102.69	£102.69		A	£184,630		£184,630	MV-STT
MAKTDRW0123	FLAT 123 Drovers Way		Holloway	London	N7 9FN	F	1	£94.01	£94.01		A	£184,630		£184,630	MV-STT
MAKTDRW0125	FLAT 125 Drovers Way		Holloway	London	N7 9FN	F	1	£85.32	£85.32		A	£184,630		£184,630	MV-STT
MAKTDWY0033	33 Drovers Way		Holloway	London	N7 9FN	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0035	35 Drovers Way		Holloway	London	N7 9FN	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0037	37 Drovers Way		Holloway	London	N7 9FN	H	4	£116.00	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0039	39 Drovers Way		Holloway	London	N7 9FN	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0041	41 Drovers Way		Holloway	London	N7 9FN	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0043	43 Drovers Way		Holloway	London	N7 9FN	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTDWY0045	45 Drovers Way		Holloway	London	N7 9FN	H	3	£113.85	£147.70		A	£335,690		£335,690	MV-STT
MAKTDWY0047	47 Drovers Way		Holloway	London	N7 9FN	H	3	£116.12	£147.70		A	£335,690		£335,690	MV-STT
MAKTDWY0049	FLAT 49 Drovers Way		Holloway	London	N7 9FN	F	1	£78.08	£78.08		A	£184,630		£184,630	MV-STT
MAKTDWY0051	FLAT 51 Drovers Way		Holloway	London	N7 9FN	F	1	£97.78	£97.78		A	£184,630		£184,630	MV-STT
MAKTDWY0053	FLAT 53 Drovers Way		Holloway	London	N7 9FN	F	2	£112.37	£112.37		A	£234,990		£234,990	MV-STT
MAKTDWY0057	FLAT 57 Drovers Way		Holloway	London	N7 9FN	F	1	£97.78	£97.78		A	£184,630		£184,630	MV-STT
MAKTDWY0059	FLAT 59 Drovers Way		Holloway	London	N7 9FN	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTDWY0061	FLAT 61 Drovers Way		Holloway	London	N7 9FN	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTDWY0063	FLAT 63 Drovers Way		Holloway	London	N7 9FN	F	2	£119.19	£119.19		A	£234,990		£234,990	MV-STT
MAKTDWY0065	FLAT 65 Drovers Way		Holloway	London	N7 9FN	F	1	£97.78	£97.78		A	£184,630		£184,630	MV-STT
MAKTDWY0067	FLAT 67 Drovers Way		Holloway	London	N7 9FN	F	2	£107.97	£107.97		A	£234,990		£234,990	MV-STT
MAKTDWY0069	FLAT 69 Drovers Way		Holloway	London	N7 9FN	F	2	£108.46	£108.46		A	£234,990		£234,990	MV-STT
MAKTDWY0071	FLAT 71 Drovers Way		Holloway	London	N7 9FN	F	2	£121.88		65%	SO		£126,720	£126,720	EUV-SH
MAKTDWY0073	FLAT 73 Drovers Way		Holloway	London	N7 9FN	F	1	£95.76		30%	SO		£99,570	£99,570	EUV-SH
MAKTDWY0075	FLAT 75 Drovers Way		Holloway	London	N7 9FN	F	2	£111.01	£111.01		A	£234,990		£234,990	MV-STT
MAKTDWY0077	FLAT 77 Drovers Way		Holloway	London	N7 9FN	F	2	£108.41		45%	SO		£112,720	£112,720	EUV-SH
MAKTDWY0079	FLAT 79 Drovers Way		Holloway	London	N7 9FN	F	1	£97.78	£97.78		A	£184,630		£184,630	MV-STT
MAKTDWY0081	FLAT 81 Drovers Way		Holloway	London	N7 9FN	F	2	£107.97	£107.97		A	£234,990		£234,990	MV-STT
MAKTDWY0083	FLAT 83 Drovers Way		Holloway	London	N7 9FN	F	1	£79.15	£79.15		A	£184,630		£184,630	MV-STT
MAKTDWY0127	FLAT 127 Drovers Way		Holloway	London	N7 9FN	F	2	£112.37	£112.37		A	£234,990		£234,990	MV-STT
MAKTGN29001	FLAT 1	29 North Road	Islington	London	N7 9GH	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTGN29002	FLAT 2	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29003	FLAT 3	29 North Road	Islington	London	N7 9GH	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTGN29004	FLAT 4	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29005	FLAT 5	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29006	FLAT 6	29 North Road	Islington	London	N7 9GH	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTGN29007	FLAT 7	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29008	FLAT 8	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29009	FLAT 9	29 North Road	Islington	London	N7 9GH	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTGN29010	FLAT 10	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTGN29011	FLAT 11	29 North Road	Islington	London	N7 9GH	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
MAKTJVD0003	3 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£112.85	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0005	5 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD0007	7 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD0009	9 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD0011	11 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£113.26	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0012	12 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD0013	13 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£113.26	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0014	14 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD0015	15 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£124.21	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD0016	16 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£131.49	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD0017	17 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£124.21	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD0018	18 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£119.41	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD0019	19 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£124.21	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD002	2 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£112.69	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0020	FLAT 20 Jim Veal Drive		Holloway	London	N7 9FB	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTJVD0021	21 Jim Veal Drive		Holloway	London	N7 9FB	H	5	£124.21	£163.24		A	£436,400		£436,400	MV-STT
MAKTJVD0023	23 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£112.85	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0025	25 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£112.85	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD0027	FLAT 27 Jim Veal Drive		Holloway	London	N7 9FB	F	1	£92.99	£92.99		A	£184,630		£184,630	MV-STT
MAKTJVD0031	1 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£114.81	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD004	4 Jim Veal Drive		Holloway	London	N7 9FB	H	3	£112.85	£147.70		A	£335,690		£335,690	MV-STT
MAKTJVD006	6 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD008	8 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTJVD010	10 Jim Veal Drive		Holloway	London	N7 9FB	H	4	£117.06	£155.47		A	£386,050		£386,050	MV-STT
MAKTNCP001	FLAT 1 New Clocktower Place		Holloway	London	N7 9FD	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTNCP0013	FLAT 13 New Clocktower Place		Holloway	London	N7 9FD	F	3	£110.09	£110.09		A	£302,130		£302,130	MV-STT
MAKTNCP0019	FLAT 19 New Clocktower Place		Holloway	London	N7 9FD	F	3	£123.96	£123.96		A	£302,130		£302,130	MV-STT
MAKTNCP0025	FLAT 25 New Clocktower Place		Holloway	London	N7 9FD	F	3	£108.47	£108.47		A	£302,130		£302,130	MV-STT
MAKTNCP003	FLAT 3 New Clocktower Place		Holloway	London	N7 9FD	F	3	£114.19	£114.19		A	£302,130		£302,130	MV-STT
MAKTNCP0031	FLAT 31 New Clocktower Place		Holloway	London	N7 9FD	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTNCP0033	FLAT 33 New Clocktower Place		Holloway	London	N7 9FD	F	4	£127.72	£127.72		A	£335,690		£335,690	MV-STT
MAKTNCP0035	35 New Clocktower Place		Holloway	London	N7 9FD	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTNCP0037	37 New Clocktower Place		Holloway	London	N7 9FD	F	3	£116.12	£116.12		A	£302,130		£302,130	MV-STT
MAKTNCP005	FLAT 5 New Clocktower Place		Holloway	London	N7 9FD	F	5	£125.46	£125.46		A	£369,260		£369,260	MV-STT
MAKTNCP007	FLAT 7 New Clocktower Place		Holloway	London	N7 9FD	F	1	£82.59	£82.59		A	£184,630		£184,630	MV-STT
MAKTNCP009	FLAT 9 New Clocktower Place		Holloway	London	N7 9FD	F	3	£115.17	£115.17		A	£302,130		£302,130	MV-STT
MAKTNCP011	FLAT 11 New Clocktower Place		Holloway	London	N7 9FD	F	1	£82.59	£82.59		A	£184,630		£184,630	MV-STT
MAKTNCP015	FLAT 15 New Clocktower Place		Holloway	London	N7 9FD	F	3	£115.17	£115.17		A	£302,130		£302,130	MV-STT
MAKTNCP017	FLAT 17 New Clocktower Place		Holloway	London	N7 9FD	F	1	£82.59	£82.59		A	£184,630		£184,630	MV-STT
MAKTNCP021	FLAT 21 New Clocktower Place		Holloway	London	N7 9FD	F	3	£111.44	£111.44		A	£302,130		£302,130	MV-STT
MAKTNCP023	FLAT 23 New Clocktower Place		Holloway	London	N7 9FD	F	1	£82.59	£82.59		A	£184,630		£184,630	MV-STT
MAKTNCP027	FLAT 27 New Clocktower Place		Holloway	London	N7 9FD	F	3	£115.17	£115.17		A	£302,130		£302,130	MV-STT
MAKTNCP029	FLAT 29 New Clocktower Place		Holloway	London	N7 9FD	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTNR30002	FLAT 2	30 North Road	Islington	London	N7 9GJ	F	2	£116.07	£116.07	75%	SO		£120,680	£120,680	EUV-SH
MAKTNR30003	FLAT 3	30 North Road	Islington	London	N7 9GJ	F	3	£115.17	£115.17		A	£302,130		£302,130	MV-STT
MAKTNR30004	FLAT 4	30 North Road	Islington	London	N7 9GJ	F	3	£140.94		75%	SO		£146,540	£146,540	EUV-SH
MAKTNR30005	FLAT 5	30 North Road	Islington	London	N7 9GJ	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTNR30006	FLAT 6	30 North Road	Islington	London	N7 9GJ	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTNR30007	FLAT 7	30 North Road	Islington	London	N7 9GJ	F	3	£134.73		75%	SO		£140,080	£140,080	EUV-SH
MAKTNR30008	FLAT 8	30 North Road	Islington	London	N7 9GJ	F	2	£104.13	£104.13		A	£234,990		£234,990	MV-STT
MAKTNR30009	FLAT 9	30 North Road	Islington	London	N7 9GJ	F	3	£115.17	£115.17		A	£302,130		£302,130	MV-STT
MAKTNR30010	FLAT 10	30 North Road	Islington	London	N7 9GJ	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTNRD0002	FLAT 2	31 North Road	Islington	London	N7 9GL	F	2	£87.22	£87.22		A	£234,990		£234,990	MV-STT
MAKTNRD0004	FLAT 4	31 North Road	Islington	London	N7 9GL	F	2	£97.89	£97.89		A	£234,990		£234,990	MV-STT
MAKTNRD0008	FLAT 8	31 North Road	Islington	London	N7 9GL	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTNRD001	FLAT 1	31 North Road	Islington	London	N7 9GL	F	2	£95.74	£95.74		A	£234,990		£234,990	MV-STT
MAKTNRD0012	FLAT 12	31 North Road	Islington	London	N7 9GL	F	2	£83.45	£83.45		A	£234,990		£234,990	MV-STT
MAKTNRD003	FLAT 3	31 North Road	Islington	London	N7 9GL	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT
MAKTNRD005	FLAT 5	31 North Road	Islington	London	N7 9GL	F	1	£92.44	£92.44		A	£184,630		£184,630	MV-STT
MAKTNRD006	FLAT 6	31 North Road	Islington	London	N7 9GL	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT
MAKTNRD007	FLAT 7	31 North Road	Islington	London	N7 9GL	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT



## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (£2 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
MAKTNRD009	FLAT 9	31 North Road	Islington	London	N7 9GL	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT
MAKTNRD010	FLAT 10	31 North Road	Islington	London	N7 9GL	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT
MAKTNRD011	FLAT 11	31 North Road	Islington	London	N7 9GL	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTNTD0001	FLAT 1	32 North Road	Holloway	London	N7 9GN	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTNTD0002	FLAT 2	32 North Road	Holloway	London	N7 9GN	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTNTD0003	FLAT 3	32 North Road	Holloway	London	N7 9GN	F	1	£83.03	£83.03		A	£184,630		£184,630	MV-STT
MAKTNTD0004	FLAT 4	32 North Road	Holloway	London	N7 9GN	F	1	£83.43	£83.43		A	£184,630		£184,630	MV-STT
MAKTNTD0005	FLAT 5	32 North Road	Holloway	London	N7 9GN	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTNTD0006	FLAT 6	32 North Road	Holloway	London	N7 9GN	F	1	£83.45	£83.45		A	£184,630		£184,630	MV-STT
MAKTNTD0007	FLAT 7	32 North Road	Holloway	London	N7 9GN	F	1	£83.03	£83.03		A	£184,630		£184,630	MV-STT
MAKTNTD0008	FLAT 8	32 North Road	Holloway	London	N7 9GN	F	1	£83.03	£83.03		A	£184,630		£184,630	MV-STT
MAKTNTD0009	FLAT 9	32 North Road	Holloway	London	N7 9GN	F	2	£104.13	£104.13		A	£234,990		£234,990	MV-STT
MAKTNTD0010	FLAT 10	32 North Road	Holloway	London	N7 9GN	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTNTD0011	FLAT 11	32 North Road	Holloway	London	N7 9GN	F	2	£111.83	£111.83		A	£234,990		£234,990	MV-STT
MAKTNTD0012	FLAT 12	32 North Road	Holloway	London	N7 9GN	F	2	£111.83	£111.83		A	£234,990		£234,990	MV-STT
MAKTSHW0002	2 Shearling Way		Holloway	London	N7 9TP	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTSHW0004	4 Shearling Way		Holloway	London	N7 9TP	F	3	£110.88	£110.88		A	£302,130		£302,130	MV-STT
MAKTSHW0006	6 Shearling Way		Holloway	London	N7 9TP	H	4	£118.60	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0008	8 Shearling Way		Holloway	London	N7 9TP	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0010	10 Shearling Way		Holloway	London	N7 9TP	H	4	£116.12	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0012	12 Shearling Way		Holloway	London	N7 9TP	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0014	14 Shearling Way		Holloway	London	N7 9TP	H	4	£119.88	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0016	16 Shearling Way		Holloway	London	N7 9TP	H	4	£116.12	£155.47		A	£386,050		£386,050	MV-STT
MAKTSHW0018	18 Shearling Way		Holloway	London	N7 9TP	H	3	£116.12	£147.70		A	£335,690		£335,690	MV-STT
MAKTSHW0020	20 Shearling Way		Holloway	London	N7 9TP	H	3	£112.23	£147.70		A	£335,690		£335,690	MV-STT
MAKTSHW0022	22 Shearling Way		Holloway	London	N7 9TP	H	3	£116.12	£147.70		A	£335,690		£335,690	MV-STT
MAKTSHW0024	24 Shearling Way		Holloway	London	N7 9TP	H	3	£116.12	£147.70		A	£335,690		£335,690	MV-STT
MAKTSHW0026	26 Shearling Way		Holloway	London	N7 9TP	H	5	£131.49	£163.24		A	£436,400		£436,400	MV-STT
MAKTSHW0068	FLAT 68 Shearling Way		Holloway	London	N7 9TP	F	3	£111.72	£111.72		A	£302,130		£302,130	MV-STT
MAKTSHW0070	FLAT 70 Shearling Way		Holloway	London	N7 9TP	F	2	£112.37	£112.37		A	£234,990		£234,990	MV-STT
MAKTSHW0072	FLAT 72 Shearling Way		Holloway	London	N7 9TP	F	1	£94.01	£94.01		A	£184,630		£184,630	MV-STT
MAKTSHW0074	FLAT 74 Shearling Way		Holloway	London	N7 9TP	F	1	£93.57	£93.57		A	£184,630		£184,630	MV-STT
MAKTSHW0076	FLAT 76 Shearling Way		Holloway	London	N7 9TP	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTSHW0078	FLAT 78 Shearling Way		Holloway	London	N7 9TP	F	2	£108.47	£108.47		A	£234,990		£234,990	MV-STT
MAKTSHW0080	FLAT 80 Shearling Way		Holloway	London	N7 9TP	F	2	£106.42	£106.42		A	£234,990		£234,990	MV-STT
MAKTSHW0082	FLAT 82 Shearling Way		Holloway	London	N7 9TP	F	1	£83.34	£83.34		A	£184,630		£184,630	MV-STT
MAKTSHW0084	FLAT 84 Shearling Way		Holloway	London	N7 9TP	F	1	£83.45	£83.45		A	£184,630		£184,630	MV-STT
MAKTSHW0086	FLAT 86 Shearling Way		Holloway	London	N7 9TP	F	1	£92.60	£92.60		A	£184,630		£184,630	MV-STT
MAKTSHW0088	FLAT 88 Shearling Way		Holloway	London	N7 9TP	F	2	£105.91	£105.91		A	£234,990		£234,990	MV-STT
MAKTSHW0090	FLAT 90 Shearling Way		Holloway	London	N7 9TP	STAFF		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTSHW0092	FLAT 92 Shearling Way		Holloway	London	N7 9TP	F	1	£83.45	£83.45		A	£184,630		£184,630	MV-STT
MAKTSHW0094	FLAT 94 Shearling Way		Holloway	London	N7 9TP	F	1	£83.45	£83.45		A	£184,630		£184,630	MV-STT
MAKTSHW0096	FLAT 96 Shearling Way		Holloway	London	N7 9TP	F	1	£83.03	£83.03		A	£184,630		£184,630	MV-STT
MAKTSHW0098	FLAT 98 Shearling Way		Holloway	London	N7 9TP	F	2	£112.37	£112.37		A	£234,990		£234,990	MV-STT
MAKTSHW0100	FLAT 100 Shearling Way		Holloway	London	N7 9TP	F	2	£101.83	£101.83		A	£234,990		£234,990	MV-STT
MAKTSHW0102	FLAT 102 Shearling Way		Holloway	London	N7 9TP	F	1	£93.05	£93.05		A	£184,630		£184,630	MV-STT
MAKTSHW0104	FLAT 104 Shearling Way		Holloway	London	N7 9TP	F	1	£93.48	£93.48		A	£184,630		£184,630	MV-STT
MAKTSHW0106	FLAT 106 Shearling Way		Holloway	London	N7 9TP	F	1	£83.43	£83.43		A	£184,630		£184,630	MV-STT
MAKTSHW0108	FLAT 108 Shearling Way		Holloway	London	N7 9TP	F	3	£112.23	£112.23		A	£302,130		£302,130	MV-STT
MAKTSHW0110	FLAT 110 Shearling Way		Holloway	London	N7 9TP	F	2	£120.18	£120.18		A	£234,990		£234,990	MV-STT
MAKTSHW028	FLAT 28 Shearling Way		Holloway	London	N7 9TP	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTSHW030	FLAT 30 Shearling Way		Holloway	London	N7 9TP	F	1	£93.57	£93.57		A	£184,630		£184,630	MV-STT
MAKTSHW032	FLAT 32 Shearling Way		Holloway	London	N7 9TP	F	2	£132.66		75%	SO		£137,930	£137,930	EUV-SH
MAKTSHW034	FLAT 34 Shearling Way		Holloway	London	N7 9TT	F	1	£95.35		75%	SO		£99,140	£99,140	EUV-SH
MAKTSHW036	FLAT 36 Shearling Way		Holloway	London	N7 9TP	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTSHW038	FLAT 38 Shearling Way		Holloway	London	N7 9TP	F	3	£113.83	£113.83		A	£302,130		£302,130	MV-STT
MAKTSHW040	FLAT 40 Shearling Way		Holloway	London	N7 9TT	F	2	£125.75		70%	SO		£130,740	£130,740	EUV-SH
MAKTSHW042	FLAT 42 Shearling Way		Holloway	London	N7 9TT	F	1	£97.42		75%	SO		£101,290	£101,290	EUV-SH
MAKTSHW044	FLAT 44 Shearling Way		Holloway	London	N7 9TT	F	2	£123.81		70%	SO		£128,730	£128,730	EUV-SH
MAKTSHW046	FLAT 46 Shearling Way		Holloway	London	N7 9TP	F	1	£80.95	£80.95		A	£184,630		£184,630	MV-STT
MAKTSHW048	FLAT 48 Shearling Way		Holloway	London	N7 9TP	F	1	£92.95	£92.95		A	£184,630		£184,630	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
MAKTSHW050	FLAT 50 Shearling Way		Holloway	London	N7 9TP	aircised 100%		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
MAKTSHW052	FLAT 52 Shearling Way		Holloway	London	N7 9TP	F	1	£97.42		75%	SO		£101,290	£101,290	EUV-SH
MAKTSHW054	FLAT 54 Shearling Way		Holloway	London	N7 9TP	F	2	£104.50	£104.50		A	£234,990		£234,990	MV-STT
MAKTSHW056	FLAT 56 Shearling Way		Holloway	London	N7 9TP	F	1	£92.99	£92.99		A	£184,630		£184,630	MV-STT
MAKTSHW058	FLAT 58 Shearling Way		Holloway	London	N7 9TP	F	1	£93.01	£93.01		A	£184,630		£184,630	MV-STT
MAKTSHW060	FLAT 60 Shearling Way		Holloway	London	N7 9TP	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTSHW062	FLAT 62 Shearling Way		Holloway	London	N7 9TP	F	1	£97.42		75%	SO		£101,290	£101,290	EUV-SH
MAKTSHW064	FLAT 64 Shearling Way		Holloway	London	N7 9TP	F	2	£104.99	£104.99		A	£234,990		£234,990	MV-STT
MAKTSHW066	FLAT 66 Shearling Way		Holloway	London	N7 9TP	F	1	£93.01	£93.01		A	£184,630		£184,630	MV-STT
MARKTDWY0049A	FLAT 49A Drovers Way		Holloway	London	N7 9FN	F	2	£118.23	£123.83		A	£234,990		£234,990	MV-STT
MARKTDWY0055	FLAT 55 Drovers Way		Holloway	London	N7 9FN	F	2	£119.19	£124.82		A	£234,990		£234,990	MV-STT
montclose033	33 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose021	21 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose023	23 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose025	25 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose027	27 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose029	29 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose031	31 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose035	35 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	3	£113.17	£113.17		A	£137,940		£137,940	MV-STT
montclose039	39 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	4	£127.56	£127.56		A	£164,210		£164,210	MV-STT
montclose041	41 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	4	£127.56	£127.56		A	£164,210		£164,210	MV-STT
montclose043	43 Montreal Close		Peacehaven	East Sussex	BN10 8FH	H	4	£127.56	£127.56		A	£164,210		£164,210	MV-STT
MONTREALCLS001	FLAT 1 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£47.58		50%	SO		£49,480	£49,480	EUV-SH
MONTREALCLS002	FLAT 2 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£47.71		50%	SO		£49,600	£49,600	EUV-SH
MONTREALCLS003	FLAT 3 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£47.71		50%	SO		£49,600	£49,600	EUV-SH
MONTREALCLS004	FLAT 4 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£84.58		60%	SO		£87,940	£87,940	EUV-SH
MONTREALCLS005	FLAT 5 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£85.92		50%	SO		£89,340	£89,340	EUV-SH
MONTREALCLS006	FLAT 6 37 Montreal Close		Peacehaven	East Sussex	BN10 8FH	F	2	£52.34		60%	SO		£54,420	£54,420	EUV-SH
MPARFPK0030	FLAT 30	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0032	FLAT 32	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0034	FLAT 34	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0036	FLAT 36	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0038	FLAT 38	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0040	FLAT 40	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0042	FLAT 42	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0044	FLAT 44	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0046	FLAT 46	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0048	FLAT 48	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0050	FLAT 50	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0052	FLAT 52	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0054	FLAT 54	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0056	FLAT 56	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0058	FLAT 58	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0060	FLAT 60	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0062	FLAT 62	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARFPK0064	FLAT 64	Fords Park Road	Canning Town	London	E16 1NL	F	2	£90.55	£90.55		A	£107,420		£107,420	MV-STT
MPARPAC0002	2 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£111.00	£111.00		A	£161,130		£161,130	MV-STT
MPARPAC0004	4 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAC0006	6 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAC0008	8 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0010	10 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0012	12 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0014	14 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0016	16 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAC0018	18 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAC0020	20 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	3	£111.00	£111.00		A	£161,130		£161,130	MV-STT
MPARPAC0022	22 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARPAC0024	24 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0026	26 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0028	28 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAC0030	30 Pacific Road	Pacific Road	Canning Town	London	E16 1PJ	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
MPARPAR0001	1 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARPAR0002	2 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0003	3 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0004	4 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0005	5 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0006	6 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARPAR0007	7 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARPAR0008	8 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0009	9 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0010	10 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0011	11 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0012	12 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0013	13 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£111.00	£111.00		A	£161,130		£161,130	MV-STT
MPARPAR0014	14 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£111.00	£111.00		A	£161,130		£161,130	MV-STT
MPARPAR0015	15 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0016	16 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0017	17 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0018	18 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0019	19 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0020	20 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0021	21 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0022	22 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£105.82	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0023	23 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0024	24 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARPAR0025	25 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£111.00	£111.00		A	£161,130		£161,130	MV-STT
MPARPAR0026	26 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0027	27 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0028	28 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0029	29 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0030	30 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0031	31 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0032	32 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£122.12	£122.12		A	£191,350		£191,350	MV-STT
MPARPAR0033	33 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0034	34 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0035	35 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0036	36 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	3	£110.22	£110.22		A	£161,130		£161,130	MV-STT
MPARPAR0037	37 Paragon Close	Paragon Close	Canning Town	London	E16 1PL	H	4	£123.15	£123.15		A	£191,350		£191,350	MV-STT
MPARSTT0001	1 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0003	3 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0005	5 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0007	7 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0009	9 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0011	11 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0013	13 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0015	15 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0017	17 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0019	19 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0021	21 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0023	23 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0025	25 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0027	27 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0029	29 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
MPARSTT0031	31 St Thomas Road		Canning Town	London	E16 1NR	H	2	£104.53	£104.53		A	£151,060		£151,060	MV-STT
OBSECR0001	FLAT 1 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0002	FLAT 2 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0003	FLAT 3 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0004	FLAT 4 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0005	FLAT 5 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0006	FLAT 6 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0007	FLAT 7 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0008	FLAT 8 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
OBSECR0009	FLAT 9 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0010	FLAT 10 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0011	FLAT 11 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0012	FLAT 12 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0013	FLAT 13 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0014	FLAT 14 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£121.97	£121.97		A		£82,220	£82,220	EUV-SH
OBSECR0015	FLAT 15 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0016	FLAT 16 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	3	£113.92	£113.92		A		£78,090	£78,090	EUV-SH
OBSECR0017	FLAT 17 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0018	FLAT 18 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	1	£87.95	£87.95		A		£60,290	£60,290	EUV-SH
OBSECR0019	FLAT 19 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OBSECR0020	FLAT 20 Observer Court	Dukes Square	Horsham	West Sussex	RH12 1GZ	F	2	£100.20	£100.20		A		£68,690	£68,690	EUV-SH
OLDSCHOOL001	1 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL002	2 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL003	3 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL004	4 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL005	5 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL006	6 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL007	7 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£103.76	£103.76		A	£151,070		£151,070	MV-STT
OLDSCHOOL008	8 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£57.90		50%	SO		£60,200	£60,200	EUV-SH
OLDSCHOOL009	9 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£56.42		50%	SO		£58,660	£58,660	EUV-SH
OLDSCHOOL010	10 Old School Close	Harrisons Lane	Ringmer	East Sussex	BN8 5RA	H	3	£57.67		50%	SO		£59,960	£59,960	EUV-SH
ROBEBTN0001	FLAT 1 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0002	FLAT 2 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0003	FLAT 3 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0004	FLAT 4 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0005	FLAT 5 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	2	£88.15	£88.15		A	£117,710		£117,710	MV-STT
ROBEBTN0006	FLAT 6 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0007	FLAT 7 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	2	£88.15	£88.15		A	£117,710		£117,710	MV-STT
ROBEBTN0008	FLAT 8 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	1	£68.82	£68.82		A	£99,730		£99,730	MV-STT
ROBEBTN0009	FLAT 9 16-17 Robert Street		Brighton	East Sussex	BN1 4AH	F	2	£74.17	£74.17		A	£117,710		£117,710	MV-STT
ROUNDHOUSE045	45 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£95.76		70%	SO		£99,570	£99,570	EUV-SH
ROUNDHOUSE047	47 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£76.64		60%	SO		£79,680	£79,680	EUV-SH
ROUNDHOUSE049	49 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£82.08		60%	SO		£85,340	£85,340	EUV-SH
ROUNDHOUSE064	64 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£82.08		60%	SO		£85,340	£85,340	EUV-SH
ROUNDHOUSE066	66 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	2	£65.67		60%	SO		£68,270	£68,270	EUV-SH
ROUNDHOUSE068	68 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£99.48	£99.48		A	£137,940		£137,940	MV-STT
ROUNDHOUSE070	70 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£71.84		58%	SO		£74,690	£74,690	EUV-SH
ROUNDHOUSE072	72 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	2	£65.67		60%	SO		£68,270	£68,270	EUV-SH
ROUNDHOUSE074	74 Roundhouse Crescent		Peacehaven	East Sussex	BN10 8GL	H	3	£65.67		60%	SO		£68,270	£68,270	EUV-SH
SEAVIEWAVE001	FLAT 1 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
SEAVIEWAVE002	FLAT 2 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
SEAVIEWAVE003	FLAT 3 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
SEAVIEWAVE004	FLAT 4 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
SEAVIEWAVE005	FLAT 5 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
SEAVIEWAVE006	FLAT 6 56 Seaview Avenue		Peacehaven	East Sussex	BN10 8GB	F	2	£86.67	£86.67		A		£51,300	£51,300	EUV-SH
STOCCR1R0011	FLAT 11 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£164.85	£164.85		A		£107,830	£107,830	EUV-SH
STOCCRIR0012	FLAT 12 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
STOCCRSH0007	FLAT 7 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£59.65		55%	SO		£59,750	£59,750	EUV-SH
STOCCRS00001	FLAT 1 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£74.77		70%	SO		£77,740	£77,740	EUV-SH
STOCCRS00002	FLAT 2 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£95.39		70%	SO		£99,180	£99,180	EUV-SH
STOCCRS00003	FLAT 3 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£89.26		70%	SO		£92,810	£92,810	EUV-SH
STOCCRS00004	FLAT 4 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
STOCCRS00005	FLAT 5 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F		£0.00	£0.00		Nil Value	£0	£0	£0	NIL VALUE
STOCCRS00006	FLAT 6 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£94.66		70%	SO		£98,420	£98,420	EUV-SH
STOCCRS00008	FLAT 8 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£97.08		70%	SO		£100,940	£100,940	EUV-SH
STOCCRS00009	FLAT 9 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£77.89		60%	SO		£80,980	£80,980	EUV-SH
STOCCRS00010	FLAT 10 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£55.05		50%	SO		£57,240	£57,240	EUV-SH
STOCCRS00112	FLAT 112 Stone Court - Block F	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£70.22		50%	SO		£73,010	£73,010	EUV-SH
STOCCRS00113	FLAT 113 Stone Court - Block F	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£94.66		70%	SO		£98,420	£98,420	EUV-SH
STOCCRS00114	FLAT 114 Stone Court - Block F	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£98.30		70%	SO		£102,210	£102,210	EUV-SH

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STOCSR00116	FLAT 116 Stone Court - Block F	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£82.18		60%	SO		£85,440	£85,440	EUV-SH
STOCSR00117	FLAT 117 Stone Court - Block F	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£94.66		70%	SO		£98,420	£98,420	EUV-SH
STOCTRTGN0020	FLAT 20 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0021	FLAT 21 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0022	FLAT 22 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0023	FLAT 23 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£107.32	£107.32		A		£72,950	£72,950	EUV-SH
STOCTRTGN0024	FLAT 24 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.03	£95.03		A		£65,140	£65,140	EUV-SH
STOCTRTGN0025	FLAT 25 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.03	£95.03		A		£65,140	£65,140	EUV-SH
STOCTRTGN0026	FLAT 26 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0027	FLAT 27 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0028	FLAT 28 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£107.32	£107.32		A		£73,570	£73,570	EUV-SH
STOCTRTGN0029	FLAT 29 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£132.16	£132.16		A		£87,780	£87,780	EUV-SH
STOCTRTGN0030	FLAT 30 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.03	£95.03		A		£65,140	£65,140	EUV-SH
STOCTRTGN0031	FLAT 31 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0032	FLAT 32 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.11	£95.11		A		£65,200	£65,200	EUV-SH
STOCTRTGN0033	FLAT 33 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£107.32	£107.32		A		£73,570	£73,570	EUV-SH
STOCTRTGN0034	FLAT 34 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.03	£95.03		A		£65,140	£65,140	EUV-SH
STOCTRTGN0035	FLAT 35 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	1	£95.03	£95.03		A		£65,140	£65,140	EUV-SH
STOCTRTIR0014	FLAT 14 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
STOCTRTIR0015	FLAT 15 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
STOCTRTIR0016	FLAT 16 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
STOCTRTIR0017	FLAT 17 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£164.84	£164.84		A		£108,650	£108,650	EUV-SH
STOCTRTIR0018	FLAT 18 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
STOCTRTIR0019	FLAT 19 Stone Court - Block G	Balcombe Road	Crawley	West Sussex	RH10 7RX	F	2	£146.28	£146.28		A		£96,420	£96,420	EUV-SH
SXLNCOA0001	FLAT 1 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0002	FLAT 2 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0003	FLAT 3 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£113.62	£113.62		A	£82,530		£82,530	MV-STT
SXLNCOA0004	FLAT 4 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0005	FLAT 5 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£107.77	£107.77		A	£82,530		£82,530	MV-STT
SXLNCOA0006	FLAT 6 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0007	FLAT 7 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0008	FLAT 8 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£73.26	£73.26		A	£82,100		£82,100	MV-STT
SXLNCOA0009	FLAT 9 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£74.41	£74.41		A	£82,100		£82,100	MV-STT
SXLNCOA0010	FLAT 10 The Coach House	Saxon Lane	Seaford	East Sussex	BN25 1QR	F	1	£74.41	£74.41		A	£82,100		£82,100	MV-STT
TEMPLAR0001	1 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£123.74	£123.74		A		£84,830	£84,830	EUV-SH
TEMPLAR0002	2 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£123.04	£123.04		A		£84,350	£84,350	EUV-SH
TEMPLAR0003	3 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£124.11	£124.11		A		£85,080	£85,080	EUV-SH
TEMPLAR0004	4 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£124.11	£124.11		A		£85,080	£85,080	EUV-SH
TEMPLAR0005	5 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£123.04	£123.04		A		£84,350	£84,350	EUV-SH
TEMPLAR0006	6 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£123.04	£123.04		A		£84,350	£84,350	EUV-SH
TEMPLAR0007	7 Templars Mews		Sompting, Lancing	West Sussex	BN15 0BF	H	4	£123.74	£123.74		A		£84,830	£84,830	EUV-SH
THEFORGES001	1 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THEFORGES003	3 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THEFORGES004	4 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£64.86		50%	SO		£67,430	£67,430	EUV-SH
THEFORGES005	5 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THEFORGES006	6 The Forges		Ringmer	East Sussex	BN8 5FA	H	2	£64.46		50%	SO		£67,020	£67,020	EUV-SH
THEFORGES007	FLAT 7 The Forges		Ringmer	East Sussex	BN8 5FA	F	1	£69.52	£69.52		A		£41,150	£41,150	EUV-SH
THEFORGES008	8 The Forges		Ringmer	East Sussex	BN8 5FA	H	2	£45.12		35%	SO		£46,910	£46,910	EUV-SH
THEFORGES009	FLAT 9 The Forges		Ringmer	East Sussex	BN8 5FA	F	1	£69.52	£69.52		A		£41,150	£41,150	EUV-SH
THEFORGES011	11 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THEFORGES015	15 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THEFORGES017	17 The Forges		Ringmer	East Sussex	BN8 5FA	H	3	£103.76	£103.76		A		£61,420	£61,420	EUV-SH
THPRRO0005	5 Rossland Road		Ramsgate	Kent	CT12 6JJ	H	4	£96.71	£96.71		A	£115,000		£115,000	MV-STT
WARBDICGN001	1 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	2	£105.20	£105.20		A		£62,270	£62,270	EUV-SH
WARBDICGN002	2 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	3	£119.99	£119.99		A		£71,020	£71,020	EUV-SH
WARBDICGN003	3 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	3	£117.85	£117.85		A		£69,760	£69,760	EUV-SH
WARBDICGN004	4 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	2	£105.20	£105.20		A		£62,270	£62,270	EUV-SH
WARBDICGN005	5 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	3	£117.85	£117.85		A		£69,760	£69,760	EUV-SH
WARBDICGN006	6 Warblington Place		Portsmouth	Hampshire	PO3 6FN	H	3	£117.85	£117.85		A		£69,760	£69,760	EUV-SH
WESTVIEWCLOS001	1 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	2	£67.49		60%	SO		£70,170	£70,170	EUV-SH
WESTVIEWCLOS032	32 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	3	£78.43		60%	SO		£81,550	£81,550	EUV-SH

## SOUTHERN HOUSING GROUP LIMITED BOND VALUATION APPENDIX 1

Ref no.	Address 1	Address 2	Town	County	Post Code	Property Type	No. Beds	Rent £pw (52 weeks)	Target Rent £pw (52 weeks)	% SO Retained equity	Tenancy	Market Value Subject to Tenancies	Existing Use Value For Social Housing	Actual Lending Valuation	Basis of Lending
WESTVIEWCLOS034	34 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	2	£56.24		50%	SO		£58,470	£58,470	EUV-SH
WESTVIEWCLOS036	36 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	3	£89.38		70%	SO		£92,930	£92,930	EUV-SH
WESTVIEWCLOS038	38 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	2	£67.49		60%	SO		£70,170	£70,170	EUV-SH
WESTVIEWCLOS042	42 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	3	£82.99		65%	SO		£86,290	£86,290	EUV-SH
WESTVIEWCLOS046	46 Westview Close		Peacehaven	East Sussex	BN10 8GA	H	3	£78.43		60%	SO		£81,550	£81,550	EUV-SH
WHAMHOL0029	29 Hollands Way		Warnham	West Sussex	RH12 3RH	H	2	£105.60	£105.60		A	£143,870		£143,870	MV-STT
WOODHAT0002	2 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£84,590	£84,590	EUV-SH
WOODHAT0004	4 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0006	6 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0008	8 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0009	9 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH
WOODHAT0010	10 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0011	11 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH
WOODHAT0012	12 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0014	14 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0016	16 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0018	18 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0020	20 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0022	22 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0024	24 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0026	26 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0028	28 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0030	30 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0032	32 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	2	£109.87	£109.87		A		£83,010	£83,010	EUV-SH
WOODHAT0034	34 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH
WOODHAT0036	36 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH
WOODHAT0038	38 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH
WOODHAT0040	40 Whitebeam Drive	Woodhatch	Reigate	Surrey	RH2 7LS	H	3	£121.38	£121.38		A		£91,710	£91,710	EUV-SH



## **Appendix 2**

### **Photographs**

**SOUTHERN HOUSING GROUP LIMITED**  
**SAMPLE PHOTOGRAPHS OF CERTAIN PROPERTIES**



**Cleveland Grove, Newbury, Berks**



**Donnington Lodge, Oxford Road, Donnington, Berks**



**Epsom Crescent Newbury Berks**



**Kings Road, Reading, Berks**





**Court Farm Road Newhaven East Sussex**



**Flint Way Peacehaven East Sussex**



**Christchurch Court, West Quay, Newhaven, East Sussex**



**Everest House, Hogarth Road, Hove, East Sussex**



**Arundel Street, Brighton, East Sussex**



**Old School Close Harrison Lane Ringmer East Sussex**



**Lakeview South Avenue Brighton East Sussex**



**Dawley Green, South Ockendon, Essex**



**Abbey Road Basingstoke Hants**



**Cotton Road, Portsmouth, Hants**



**List Meadows Littlebourne, Kent**



**Drovers Way Holloway London N7**





**Jim Veal Drive Holloway London N7**



**Asker House, Tufnell Park Rd, Lower Holloway, London N7**



**Hallywell Crescent, Beckton, London E6**



**Drovers Way / Chris Pullen Way Holloway, London N7**



**Paragon Close, Canning Town, London E16**



**St Thomas Road, Canning Town, London E16**



**Bowyer Close Beckton London E6**



**Clock View Crescent Holloway London N7**



**Whitebeam Drive, Woodhatch, Reigate, Surrey**



**Observer Court Dukes Square Horsham West Sussex**



**Dawlish Close, Brighton, East Sussex**



**Gladstone Road Burgess Hill West Sussex**





**Templars Mews, Sompting, Lancing, West Sussex**



**Stone Court, Balcombe Road, Crawley, West Sussex**



**Clifton Street, Swindon, Wilts**



**Conisborough Toothill, Swindon, Wilts**



**Wood Park, Ludgershall, Wilts**



**Foxglove Road, Haydon Wick, Swindon, Wilts**



**Lennox Drive, Swindon, Wilts**



**Murney Road Grange Park Swindon Wilts**





## **Appendix 3**

### **General Assumptions and Conditions**

## **GENERAL ASSUMPTIONS, NOTIFICATIONS, DEFINITIONS & BASES OF VALUATION**

### **1.0 General Assumptions & Notifications**

- 1.1 Unless it is made apparent by an express statement to the contrary in this Report, we have made the following general assumptions and we will have been under no duty to have verified these:-
- 1.1.1 The information supplied to us and summarised in this Report is substantially complete and correct.
  - 1.1.2 The properties are not subject to any unusual or onerous conditions or restrictions, encumbrances or outgoings and that good title can be shown free of any mortgages or charges.
  - 1.1.3 The properties and their value are unaffected by any matters which will be revealed by a local search (or their national equivalent) and replies to the usual enquiries, or by a statutory notice and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
  - 1.1.4 Planning consent and statutory approvals for the properties and for their current use, including any extensions or alterations, have been obtained.
  - 1.1.5 Any interpretations of the law we may have made are presumed to be correct although we would recommend that any such interpretations are checked by solicitors.
  - 1.1.6 We have not carried out a structural survey nor tested the services. We have therefore assumed that both the parts that we have inspected and those that we were unable to inspect have no material defects which would cause us to alter our valuation.
  - 1.1.7 In the construction or alteration of the properties no use was made of any deleterious or potentially dangerous materials or techniques.
  - 1.1.8 The properties are connected to mains services which are available on normal terms and that the sewers, mains services and the roads giving access to the properties have been adopted.
  - 1.1.9 In the case of a new property, the construction of which has not been completed, the construction will be satisfactorily complete. Furthermore, for any newly constructed property, the builder is a registered member of the NHBC or equivalent and has registered the subject property in accordance with the scheme concerned.
  - 1.1.10 Unless otherwise instructed any development value has been excluded from our valuation(s).
  - 1.1.11 Our valuation does not include any value attributable to the existence of furnishings, removable fittings, free-standing furniture or sales incentives.
  - 1.1.12 The properties are not subject to land contamination, flooding risk, unstable ground conditions or any other environmental risks. We have not carried out any related tests nor made any other investigations relating to these environmental factors and we have not assessed the likelihood of their potential relevance. (We recommend these risks are investigated by suitable professionals prior to relying upon our valuations).

- 1.1.13 We have not made any allowance for Capital Gains Tax, VAT or other taxation liabilities that might arise upon a sale of the property.
- 1.1.14 It is for the lender to assess the risk involved and to make their own assessment and fix the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of capital and the interest rate.
- 1.1.15 The tenants are capable of meeting their obligations and that there are no arrears of rent or undisclosed breaches of covenant.
- 1.1.16 The highest bidder would account for increasing rents (where applicable) to the maximum possible amount and/or maximising their investment return (in financial terms).
- 1.1.17 In the case of a site or development property - there are no adverse site conditions, that it is not adversely affected by the Town and Country Planning (Assessment of Environment Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there are any other matters that would cause us to make any allowance for exceptional delay, site or construction costs in our valuation.
- 1.1.18 Where grants (from the private or public sector) have been given and/or pledged to purchase, build and/or refurbish the subject property, we have assumed that these grants append to title and/or would not have to be repaid by the purchaser.
- 1.1.19 Unless otherwise stated, we provide our valuations exclusive of purchase costs (e.g. legals, stamp duty, introductory fees etc).
- 1.1.20 Unless otherwise stated, we provide our opinions of value (for all valuation bases) on an individual property and/or aggregate property basis (i.e. with no discount for bulk sales).
- 1.1.21 Our opinions of value do not take into account any potential reduction in value or restrictions on disposal which may result from the service of a notice under the Leasehold Reform Housing and Urban Development Act 1993.
- 1.1.22 Should you require a formal Building Reinstatement Cost Assessment for insurance purposes, prepared by a member of our Building Consultancy Department, based on a detailed inspection for such purposes, we would be pleased to make the necessary arrangements.
- 1.1.23 Where we have provided valuation projections, these are purely indicative as we are not able or permitted to state what values will be in the future. As such, these indications should not be formally relied upon.
- 1.1.24 The value of a property portfolio, sold as a single portfolio, may not be the same as the aggregate value of constituent parts. Where we have qualified our valuation basis with the words 'as a single portfolio', we have provided a value reflecting a sale of the property as a single portfolio. Where we have qualified using the words 'aggregate', we have provided the aggregate total of the property's constituent units/parts.
- 1.1.25 The value of a property subject to tenancies may not be the same as the value of a property with vacant possession.

## **2.0 Definitions**

### **2.1 Assumption**

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by the member as part of the valuation process.

### **2.2 External Valuer**

A valuer who, together with any associates, has no material links with the client company or the subject of the assignment.

### **2.3 Independent Valuer**

A valuer who meets the specific requirements of independence, prescribed by law or regulation, for particular valuation tasks in certain States.

### **2.4 Likely Realisation Price Subject To Marketing Constraints And Forced Sales (formerly Estimated Restricted Realisation Price).**

2.4.1 If a property cannot be freely or adequately presented to the market, the price is likely to be adversely affected.

2.4.2 If such a constraint can be identified it is normally possible to assess its impact on value but the value reported would not, by definition, be Market Value (see Bases of Valuation).

2.4.3 In these instances, the price will reflect the vendor's particular circumstances and the figure reported will be an assessment of Worth (see below).

2.4.4 Examples of Marketing Constraints would be where the property is to some extent controlled by a third party and that party's co-operation in a sale can not be guaranteed or a sale which has to be completed without proper marketing.

### **2.5 Restricted Information**

2.5.1 Where a valuer is requested to undertake a valuation on the basis of restricted information the nature of the restriction must be agreed, and the possible valuation implications of the restriction confirmed in writing to the client, before the valuation is reported.

2.5.2 Examples of restricted information would include a "drive by" or "desktop" valuation.

### **2.6 Special Assumption**

An assumption that either:

a) requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or

b) is one that a prospective purchaser (excluding a purchaser with special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

## 2.7 Valuation

A member's opinion of the value of a specified interest or interests in a property, at the date of valuation, given in writing.

## 2.8 Worth (Or Investment Value).

The assessment of value of property to a particular investor, or class of investors, for identified investment objectives. In this context an investor includes an owner-occupier. Worth is not a Basis of Valuation.

## 3.0 Bases of Valuation

3.1 Our valuation is carried out in accordance with the 8<sup>th</sup> Edition of Royal Institution of Chartered Surveyors Valuation – Professional Standards (“Red Book”) with effect from 6 January 2014 which states:-

### 3.1.1 Existing Use Value for Social Housing (EUV -SH) means:-

Existing use value for social housing (EUV-SH) is the estimated amount for which a property should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion - subject to the following *special assumptions* that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

- a. at the *valuation date* any regulatory body in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- b. properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and
- c. any subsequent sale would be subject to all of the above *special assumptions*.

### 3.1.2 Market Value (MV) means:-

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

*N.B. An opinion of Market Value may be required assuming vacant possession and/or subject to existing tenancies. Within our reports we differentiate in this regard by using the terminology - Market Value (vacant possession) and/or Market Value-Subject to Tenancies, (“MV-STT”).*

### 3.1.3 **Market Rent (MR) means:-**

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

### 3.1.4 **Existing Use Value (EUV) means:-**

'The estimated amount for which an asset should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion - assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its *market value* to differ from that needed to replace the remaining service potential at least cost.'

### 3.2 Where we have provided a **Reinstatement Cost Assessment**, the following standard conditions have applied:-

- (a) The estimate will be based solely on the inspection of the property (and/or layout plans) undertaken in connection with the preparation of open market valuations.
- (b) The estimate will not constitute a formal Building Reinstatement Cost Assessment, and must not be relied upon as such.
- (c) The estimate will be given as a guide for the construction of an identical building, constructed of modern materials.
- (d) The estimate will be given on a day one basis and, therefore, we recommend that appropriate allowance is made for any increase in building costs which may arise during the period of insurance or during any period of rebuilding and any period necessary for design and obtaining necessary consents prior to such rebuilding.
- (e) No allowance will be made for any additional costs that may have to be incurred during reconstruction to meet current requirements of Local Authorities, Building Inspectors, Statutory Undertakers, Mortgagees, Landlords and Freeholders nor for any matters of a consequential nature, e.g. fire prevention and thermal insulation.
- (f) No allowance will be made within our estimate for any costs involved in handling and/or dealing with dangerous or hazardous materials or situations remaining on or originating from the premises in the event of any incident.
- (g) The estimate will allow only for normal foundations and will exclude piling or other generally unusual or abnormal foundations.
- (h) No allowance will be made for the capital costs of reinstatement of external mains water, electricity, gas, telephone services, drains, sewers, pipes and other external works such as roads, paths and paved areas, walls, fences, gates and landscaping.

- (i) The estimate will include normal water, electricity and gas installations as appropriate.
- (j) The estimate will exclude furnishings, floor coverings, light fittings, furniture, wall coverings, false ceilings, all other occupiers fixtures and fittings, telephone installations and specialist service installations.
- (k) No allowance will be made for the incidence of Value Added Tax.
- (l) We will not undertake a structural survey and, in the absence of detailed drawings or specifications, assumptions will have to be made as to the construction of the buildings.
- (m) The estimate will be prepared on a full reinstatement basis, inclusive of professional fees, demolition costs, site clearance etc but will make no allowance for any loss of rent or rental void incurred unless stated otherwise.

### **3.3 Depreciated Replacement Cost (DRC)**

- 3.3.1 DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deteriorations and all relevant forms of obsolescence and optimisation.

JC/ADVS/CJS



## **Appendix 4**

### **Property Market Overview**



## Housing Investment Consultancy Market Summary Bulletin

### November 2013

#### National Overview

Average house price inflation continues to increase, led by the London market, although some regional averages (particularly in the North) remain unmoved. Housing transactions continue to increase and have done so consistently since April this year. Mortgage lending continues to rise rapidly, with First Time Buyers accounting for 45% of house purchase loans in September. Quarter three house building figures increased to their highest volume since 2007. UK GDP growth was 0.8% q/q (1.5% y/y) in Q3 2013, which led the unemployment rate to fall (to 7.6%, LFS). Inflation fell unexpectedly (to 2.2%, CPI) in October.

#### Housing Affordability

The house price to earnings ratio has continued to increase. In October it was 4.69, up from 4.38 one year previously.

#### Transactions

There were 88,450 residential property transactions in England in October 2013. Over the last 12 months transactions were 887,060, which is an 11% increase compared to the previous 12 month period.

#### Supply & Demand

The volume of new buyers registering with agents increased by 2.0% in October compared with the previous month, the volume of properties listed fell by 1.6%, and sales agreed increased by 4.2%.

Source: Homes and Communities Agency

#### The Nationwide House Price Index November 2013 reported;

- House prices rise by 0.6% in November
- UK house prices increased by 0.6% in November and were 6.5% higher than November 2012
- House prices around 6% below 2007 peak

Headlines	Nov-13	Oct-13
Monthly Index*	347.5	345.4
Monthly Change*	0.60%	1.00%
Annual Change	6.50%	5.80%
Average Price	£174,566	£173,678

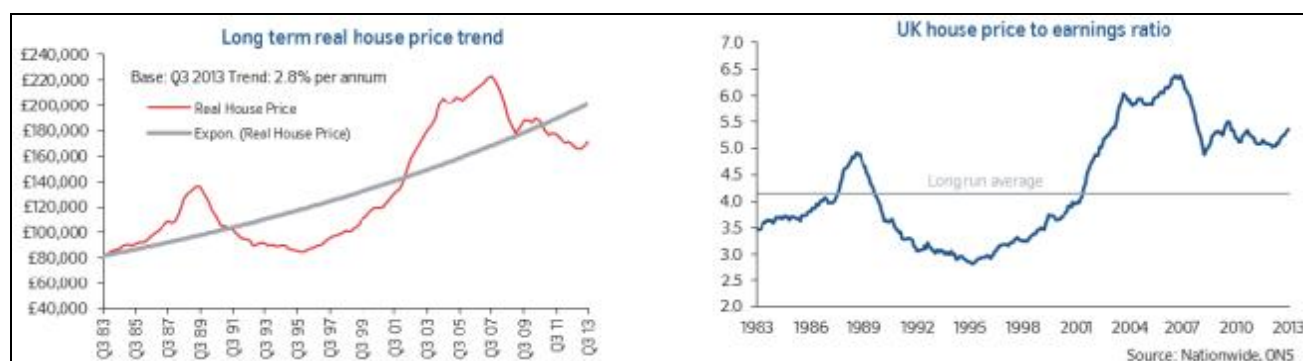
Seasonally Adjusted\*

### Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

"UK house prices rose by 0.6% in November taking the annual rate of increase to 6.5% - the strongest pace since July 2010, though prices are still around 6% below the alltime high recorded in late 2007.

"Activity in the housing market has picked up strongly in recent months. The number of mortgage approvals for house purchase reached 66,735 in September, 34% higher than the same period of 2012. A large part of the improvement can be attributed to further improvements in the labour market and the brighter economic outlook, which has helped to bolster sentiment amongst potential buyers. "Policy measures aimed at keeping down the cost and improving the availability of credit are also playing an important role. Indeed, mortgage rates have declined significantly from the already low levels prevailing last year. For example, Bank of England data indicates that the interest rate on two year fixed rate mortgages for those with a 10% deposit has fallen from 5.6% to 4.4% over the past twelve months. For a buyer purchasing the typical UK home over 25 years, this equates to a reduction in monthly payments of around £110 (£1,320 per year) at the current average house price."

### Graph: Long Term House Price Trends



Source: Nationwide House Price Index

### Savills Residential Property Focus Bulletin Q4 2013 reported the following;

There is still disagreement on past performance, let alone future performance. This is dependent on which part of the country you are standing in – whether focused on mortgage lending or cash transactions, looking at affordability or price sustainability.

It is a mistake though to think, because house prices are more expensive for the average household than they used to be, that market values have to come down.

High house prices have excluded households from owner occupation, but increased incidence of renting means transactions have shrunk rather than prices. The UK housing market is now the preserve only of the wealthiest 50% of households – and only if they have access to sufficient capital to use as a deposit. Despite this, our analysis shows the housing market is not in bubble territory and could see as much as 25% growth over the next five years without significant damage to those household finances.

- A five year price rise of 25% would see mortgage affordability fall but leave a sufficient household surplus to cover the basic costs of living.
- We expect the underlying growth in transactions to be limited to around 27% over five years, 24% below a fully functioning market.

- As we look forward there are encouraging signs that the seeds of recovery are becoming more widespread in the prime markets. The proportion of London buyers has increased in every part of the prime regional market.
- Prices in other parts of the UK should start to outperform London at some point over the next five years. The greatest impact is likely to be in higher value markets with more in-built housing equity.
- Government data shows housing starts in England rose 36.5% in the three months to June 2013 against the same period last year.
- Our recent survey of 2,800 existing private sector tenants in association with YouGov indicates that renting is still seen as an intermediate step to home ownership by a large percentage of private renters.

### **Savills average regional house price forecast Q4 2013**

	Forecast					
	2014	2015	2016	2017	2018	5yrs to end 2018
UK	6.5%	5.0%	4.5%	4.0%	3.0%	25.2%
London	8.5%	6.0%	4.0%	2.0%	2.0%	24.4%
South East	7.0%	6.5%	6.0%	5.0%	4.0%	31.9%
South West	7.0%	6.0%	5.5%	4.5%	3.5%	29.4%
East of England	7.0%	6.0%	5.5%	5.0%	4.0%	30.7%
East Midlands	6.0%	5.0%	4.5%	4.0%	3.0%	24.6%
West Midlands	6.0%	4.5%	4.0%	4.0%	3.0%	23.4%
North East	5.0%	4.0%	3.0%	3.0%	2.0%	17.6%
North West	5.5%	4.5%	3.0%	3.0%	2.0%	19.3%
Yorks & Humber	5.0%	4.5%	3.5%	3.5%	2.5%	20.5%
Wales	6.0%	4.0%	3.5%	3.5%	2.5%	21.0%
Scotland	4.5%	4.5%	3.5%	3.5%	2.0%	19.3%



















Source: Savills Research

## **Residential Letting**

The private rented sector grew by some two million households in the UK in the decade to 2011, much of the largest growth being in the mortgage rationed period since 2007.

Despite initiatives to support home ownership, we expect the sector to grow by a further one million households in the next five years.

Our recent survey of 2,800 existing private sector tenants, in association with YouGov, indicates that renting is still seen as an intermediate step to home ownership by a large percentage of private renters. It shows that the main reason for renting is the prohibitive cost of raising a deposit to buy a property.

Forecast	2014	2015	2016	2017	2018	5yrs to end 2018
UK Mainstream	2.0% 	2.5% 	4.0% 	5.5% 	5.5% 	21.0% 
London Mainstream	3.5% 	3.5% 	4.5% 	6.0% 	6.0% 	25.8% 
Prime London	2.5% 	3.0% 	4.5% 	4.5% 	4.5% 	20.4% 

Source: Savills Research

## TAXATION

### United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs' practice relating to certain aspects of United Kingdom taxation as at the date of this Offering Circular. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change at any time in the future, possibly with retrospective effect. This is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Bonds and it is not intended to be, nor should it be considered to be, legal or tax advice. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

#### A. Interest on the Bonds

##### 1. *Payment of interest on the Bonds*

Payments of interest by the Issuer on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs (HMRC) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a registered industrial and provident society (such as the Issuer) to a Bondholder whose usual place of abode is in the United Kingdom. Bondholders may wish to note that if the Issuer makes interest payments to a Bondholder without withholding or deduction on account of United Kingdom tax on the grounds that such Bondholder's usual place of abode is in the United Kingdom, the Issuer is required to provide certain information, including the Bondholder's name and place of residence and the amount paid to that Bondholder, to HMRC.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest; and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of, another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

## 2. *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the holder of the Bonds or to otherwise compensate the holder of the Bonds for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax.

## 3. *Further United Kingdom Income Tax Issues*

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a

United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

#### **B. United Kingdom Corporation Tax Payers**

4. In general, Bondholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

#### **C. Other United Kingdom Tax Payers**

5. *Taxation of Chargeable Gains*

The Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

6. *Accrued Income Scheme*

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Bondholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

7. *Taxation of Discount*

HMRC's published practice is that securities having similar terms of early redemption as the Bonds are not treated by HMRC as "deeply discounted securities" and accordingly the Bonds should not be treated as "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

#### **D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

8. No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

#### **The Proposed Financial Transactions Tax (FTT)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of

circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the European Union may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.



## SUBSCRIPTION AND SALE

The Arranger and Sole Bookrunner has, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 31st January, 2014 agreed to subscribe or procure subscribers for (i) the 2039 Bonds (other than the Retained Bonds) at the issue price of 99.335 per cent. of the principal amount of the 2039 Bonds (other than the Retained Bonds) and (b) the 2044 Bonds at the issue price of 100 per cent. of the principal amount of the 2044 Bonds, less a combined selling and underwriting commission. The Issuer will also reimburse the Arranger and Sole Bookrunner in respect of certain of its expenses. In addition, the Issuer has agreed to indemnify the Arranger and Sole Bookrunner against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

The issue price in respect of the 2044 Bonds will be payable in two instalments. See "*Payment by Instalments in respect of the 2044 Bonds*".

### United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Arranger and Sole Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used above have the meanings given to them by Regulation S and the Securities Act.

### United Kingdom

The Arranger and Sole Bookrunner has represented, warranted and agreed that:

- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### General

The Arranger and Sole Bookrunner has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Offering Circular and will obtain any consent, approval or permission which is required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and

regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Bond Trustee shall have any responsibility therefor.

None of the Issuer, the Bond Trustee or the Arranger and Sole Bookrunner represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## **GENERAL INFORMATION**

### **Authorisation**

The issue of the Bonds was duly authorised by a resolution of the Group Treasury Committee of the Issuer dated 20th November, 2013.

### **Listing**

It is expected that the official listing of both the 2039 Bonds and the 2044 Bonds will be granted on or about 4th February, 2014 subject only to the issue of the relevant Temporary Global Bond. Application has been made to the UK Listing Authority for the 2039 Bonds and the 2044 Bonds to be admitted to the Official List and to the London Stock Exchange for both the 2039 Bonds and the 2044 Bonds to be admitted to trading on the Professional Securities Market.

The Issuer estimates that the total expenses related to the admission to trading will be £9,115.

### **Documents Available**

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31st March, 2012 and 31st March, 2013, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (d) the Bond Trust Deed, the Agency Agreement, the Account Agreement, the Retained Bond Custody Agreement, the Security Trust Deed and the Security Agreements;
- (e) the Valuation Report;
- (f) a copy of this Offering Circular; and
- (g) any future offering circulars, prospectuses, information memoranda and supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The ISIN for the 2039 Bonds is XS1023042507 and the Common Code is 102304250.

The ISIN for the 2044 Bonds is XS1023042929 and the Common Code is 102304292.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Bloomberg Information**

The Issuer will use its best endeavours to procure that the Bloomberg screen in respect of the Bonds shall include the following information: "£50,000,000 partly paid bonds issued as follows: £1,000,000 nominal paid on issue; £49,000,000 nominal payable by bondholders on 4th February, 2019 at 100 per cent."

## **Material or Significant Change**

There has been no material adverse change in the prospects of the Issuer or the Group since 31st March, 2013.

There has been no significant change in the financial or trading position of the Issuer or the Group since 31st March, 2013.

## **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Issuer's or the Group's financial position or profitability.

## **Auditors**

The auditors of the Issuer are PricewaterhouseCoopers LLP, chartered accountants, who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended 31st March, 2013.

Previously, the auditors of the Issuer were KPMG LLP, chartered accountants who audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 31st March, 2012.

It is the policy of the Southern Housing Group to retender its professional services arrangements from time to time. The Southern Housing Group tendered its external audit service requirement and, following a competitive process, PricewaterhouseCoopers LLP were selected as the most appropriate firm for future audits. KPMG LLP then resigned and PricewaterhouseCoopers LLP were appointed. PricewaterhouseCoopers LLP's audit opinion for the year ended 31st March, 2013 was their first year as auditors of the Issuer.

Neither the previous nor the incumbent auditors have any material interest in the Issuer.

## **Certifications**

The Bond Trust Deed provides that any certificate or report of the Auditors (as defined in the Bond Trust Deed) or any other person called for by, or provided to, the Bond Trustee (whether or not addressed to the Bond Trustee) in accordance with or for the purposes of the Bond Trust Deed may be relied upon by the Bond Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Bond Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

## **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to the Bonds or the Security, other than as required pursuant to Condition 5.5 (*Information Covenants*).

**Arranger and Sole Bookrunner transacting with the Issuer**

The Arranger and Sole Bookrunner and its affiliates have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business.

**THE ISSUER**

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**BOND TRUSTEE AND SECURITY TRUSTEE**

**Prudential Trustee Company Limited**

Laurence Pountney Hill  
London EC4R 0HH

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Howald – Hesperange  
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**PAYING AGENT**

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*To the Issuer as to English law*

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*To the Arranger and Sole Bookrunner, the Bond Trustee and the Security Trustee as to English law*

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**AUDITORS**

**PricewaterhouseCoopers LLP**

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