



# **Soha Housing Limited**

**Group Financial Statements**

**for the year ended**

**31 March 2010**

**Soha Housing Limited****Financial statements for the year ended 31 March 2010****CONTENTS**

The Board of Soha Housing is pleased to present their annual accounts and report for the year ended 31 March 2010. The contents are set out below.

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## **Soha Housing Limited**

### **Report of the Board – Operating and Financial Review**

The pages following this report set out the financial results for the year and the auditors' report on them. The Board is pleased to present its report for the year which provides a commentary on these results and the operations of Soha during the year. This is set out in a number of areas:

- a) Principal Activities
- b) Vision and Strategic Objectives
- c) Principle Risks
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#### **a) Principal Activities**

Soha's purpose is:

**“to be excellent at providing and managing affordable homes and services  
in communities where people want to live”.**

Our main activities are the letting, management, maintenance and development of places to live for people in housing need (i.e. the provision of social housing). We also manage related assets such as garages, leasehold properties, open spaces and estate roads and engage in related community development work.

## Soha Housing Limited

### Report of the Board – Operating and Financial Review (continued)

#### b) Vision and Strategic Objectives

Our vision is to be:

- One of the best Housing Associations in the country
- An Association where there is a genuine belief and commitment to working with residents to drive service improvement and improve their lives and the community

Soha works towards five aims supported by objectives which form the basis for the three-yearly corporate plan. This plan is reviewed and approved by the Board annually. The aims and objectives from the current plan for 2010 to 2013 are summarised in the table below.

<b>Aims and Objectives</b>	
<b>Objective</b>	<b>Measured by</b>
<b>Aim 1. To have highly satisfied customers by</b>	
<ul style="list-style-type: none"><li>• Having high overall satisfaction with the landlord</li><li>• Having high customer satisfaction that our services meet individual needs</li></ul>	<ul style="list-style-type: none"><li>• Achieving top quartile result with Housemark</li><li>• a benchmark measure developed with tenants</li></ul>
<b>Aim 2. To empower and maximise the involvement of residents to make a difference</b>	
<ul style="list-style-type: none"><li>• Develop with our residents measures to assess the power / influence our involved tenants have</li><li>• To be recognised as one of the leading associations in involving and empowering residents</li><li>• Deliver tenant-led self regulation</li></ul>	<ul style="list-style-type: none"><li>• Inspection reports or peer review</li></ul>
<b>Aim 3. To provide and maintain quality sustainable homes and communities by</b>	
<ul style="list-style-type: none"><li>• Having improved customer satisfaction with the quality of their home having high customer satisfaction with the neighbourhood (top 25%)</li><li>• Reducing the average CO<sub>2</sub> emissions per property</li><li>• Improving estates to be safe, clean and green</li></ul>	<ul style="list-style-type: none"><li>• Achieving top 50% with Housemark</li><li>• to 2.61 Tonnes or below per year</li><li>• Deliver Community Action Plans</li></ul>
<b>Aim 4. To be an excellent organisation to work for</b>	
<ul style="list-style-type: none"><li>• Re-accreditation for the Investors in People standard</li><li>• Continue to have at least 90% of staff who are proud to work for the organisation</li></ul>	<ul style="list-style-type: none"><li>• Achieve the silver rating</li><li>• Annual staff survey</li></ul>
<b>Aim 5. To have effective and efficient management</b>	
<ul style="list-style-type: none"><li>• Maintaining financial stability</li><li>• Maintaining excellent Value for Money</li><li>• To achieve excellent KPIs in rent arrears, void turnaround and tenant satisfaction with repairs and maintenance</li></ul>	<ul style="list-style-type: none"><li>• Achieve top AVR rating</li><li>• Inspection reports or Housemark benchmarking</li><li>• Achieving top quartile result with Housemark</li></ul>

These aims are achieved by setting detailed annual objectives supported by a set of service improvement plans.

**b) Vision and Strategic Objectives (ctd)**

In the current uncertain economic climate, Soha seeks to maximise its general financial health in the short term in order to remain viable and therefore able to deliver the aims in the Corporate Plan, now and in the future. There is, therefore, an over-riding objective in the 2010/11 Plan to take decisions that are in the best interests of Soha economically.

**c) Principle Risks**

Soha reviews its risks every year in line with its comprehensive risk management strategy and risk register, so that it is able to respond quickly and proactively to any changes in the external environment that may affect its interests and customers.

During the year the significant economic downturn in both the UK and the World has continued. In particular in common with most housing associations, risks and uncertainties have arisen in both the property and funding markets. Soha has been very proactive in managing these risks, with regular reports to and discussions at all Board meetings. A working group was formed in June 2008 to assess the risks facing Soha as a result, and any impact on Soha strategies. The working group reports to the Board, who also have discussions around the risks, so that the management of these risks can be fully monitored.

Soha's approach to risk involves all managers in the identification of risks and their consolidation into the risk register. The register contains details of the risk and its potential impact on the business, and further describes the controls in place to mitigate each risk. The risk is assessed using a traffic light system so that more significant risks can be easily recognised. The register is reviewed by both the Board and the Audit Committee on an annual basis.

The Board has also regularly reviewed the top ten risks facing Soha and those that are considered at the moment to be the most critical are:

1. Actions set out in the Short Notice Inspection Action Plan are not achieved
2. Governance issues (incl credit crunch management)
3. Further loan finance is not in place in time for development cashflow needs
4. Soha does not achieve a 2 \* service level in all areas before they are inspected
5. Failure of contractors to meet targets for repairs
6. Tenant STATUS survey carried out in 2010 shows lower satisfaction on the 2 main customer satisfaction indicators
7. Loss due to contractor ceasing trading or a dispute
8. Asset management strategy fails
9. Funding issues (availability and cost) arise due to the 'credit crunch'
10. Costs of voids and responsive repairs considerably exceed budget

**d) Investment for the Future**

Soha's Board and Senior Management Team are continually seeking to improve services and increase the provision and quality of housing. The top aim of the corporate plan is to provide an excellent customer service and significant investment has been made during the year in the following projects:

**d) Investment for the Future (ctd)**

- A high quality on-going customer care programme for all staff.
- An Excellence Fund where a budget of efficiency savings is set aside to invest in projects to move Soha's service towards excellence. This is jointly prioritised by management and residents with a view to integration into the mainstream budget where projects are successful.
- Implementing the recommendations made in the short notice inspection by achieving the actions set out in the action plan.
- A new phone system and a bespoke Housing Customer Relationship Management system that integrates with existing major systems.
- Community action plans and estate improvement programmes to target problem estates.
- The fitting of solar panels to 130 properties to make energy costs more affordable for tenants.

**e) Change to Charitable Status**

The Association converted to charitable status with effect from 13 July 2009. The Board considers that the majority of Soha's activities are substantially charitable, with any non-charitable activities being ancillary or incidental to its charitable activities.

As part of the conversion, a subsidiary with charitable status, Soha Neighbourhood Services Ltd, was formed on 17 March 2009. Its principal activities are estate regeneration and improvement, community initiatives, and other services that are ancillary to housing.

A second subsidiary, Soha in Business Ltd, was created on 2 June 2009 to undertake any non-charitable trading activities.

**f) Operational Performance**

The Board sets out its review of the year in a published Annual Report sent to all tenants and stakeholders. This includes information about housing management, estate improvements and planned maintenance, development progress and performance.

The Audit Commission undertook a short notice inspection in the autumn of 2009. They focussed on Resident Involvement and Estates Management, as well as the cross cutting themes of Diversity, Access & Customer Care and Value for Money. We are delighted that the Audit Commission gave the top possible rating to Soha for Resident Involvement and Value for Money and that we have been assessed as having excellent prospects for improvement.

Performance is also managed using key performance indicators ("KPIs") set both internally and by the Tenant Services Authority. These are reported through a comprehensive management report which is produced monthly and circulated to the Board quarterly. The focus is on financial performance, key operating issues and a traffic light assessment of progress of the KPIs against targets. The main KPIs are set out in part g) and there is also focus on:

## Soha Housing Limited

### Report of the Board – Operating and Financial Review (continued)

#### f) Operational Performance (ctd)

- Achievement of four green lights in the annual TSA Assessment;
- Meeting loan covenants;
- Average repair cost and average empty property turnaround cost;
- Customer Service response times;

#### g) Key Performance Indicators Summary

The table below shows actual performance against target and the 2008/09 results for a selection of the Association's key performance indicators:

Indicator	Actual 2009/10	Target 2009/10	Actual 2008/09
Tenant satisfaction with overall service	84%	84%	84%
Tenant satisfaction with views being taken into account	66%	65%	66%
Current tenant arrears	3.0%	2.0%	2.9%
Empty property turnaround	5.3 wks	3.5 wks	10.3 wks
EBITDA %	43.4%	40.0%	34.5%
Homes meeting Decent homes standard	99.8%	99.8%	99.8%
Properties with current gas certificates	99.9%	100%	100%
Repairs response times			
• Emergency	97.3%	99.0%	96.6%
• Urgent	98.6%	98.0%	96.8%
• Routine	97.0%	98.0%	96.1%
Homes developed or acquired	169	150	106
Average shared ownership sale turnaround	23.6 wks	23.0 wks	17.3 wks

#### h) Development and Sales

During the year 169 units were constructed or acquired and Soha has a target to construct a further 100 units in 2010/11. Disposals through Right to Buy and Right to Acquire continue to be very low so overall units in management increased from 5,295 to 5,439.

Soha has continued its regional approach to development and during the year the programme has produced new properties in Banbury, Abingdon and Oxford City as well as South Oxfordshire.

During the year 33 shared ownership, and 5 outright sale properties were sold adding £4.4m (2009: £4.3m) to turnover and cross-subsidising the continuing development programme. The time taken, on average, to sell properties once completed was 23.6 weeks (2009: 17.3 weeks) against a target of 23.0 weeks. In the current economic climate, the Board feels this is good performance.

**i) Asset Management**

The Government requires all Associations to meet the Decent Homes Standard by 2010. Soha set a challenging target to meet the standard by the end of 2008, 2 years early. We achieved this and at 31 March 2010, we still have 99.8% of homes meeting this standard. No investment will be made to the remaining 8 properties due to future development plans. An enhanced standard “Decent Homes Plus” developed in consultation with tenants. Implementation to achieve this standard started last year.

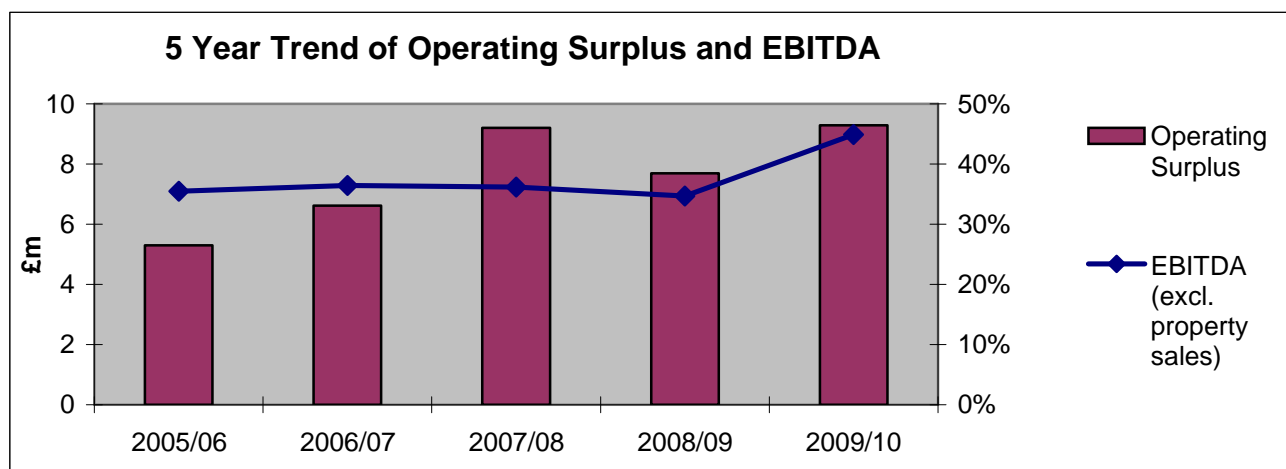
The Asset Management strategy places a stronger emphasis on demand and sustainability, energy efficiency, and tenant involvement. Total spend on planned and major repairs in the year was £5.1m and included starting a major project to install solar panel heating to 130 properties. Spend on this project will be £526,000 over the next two years, and grant of £250,000 has been awarded by the Low Carbon Building Programme.

The responsive repairs contract was retendered through OJEU during the year. The new contract has started to positively impact on both the service quality and cost.

At 31 March, there were 39 empty properties of which 24 were sheltered accommodation, although sheltered accommodation constitutes only 15% of our overall stock. In addition 51 sheltered units and 1 general needs unit have been removed from the debit on the basis that they will not be relet in their current form. Soha’s Sheltered Housing strategy sets out how we intend to evaluate the viability of sheltered accommodation, taking into account the changing demands of our customer base, current and future demographics, corporate objectives and the financial impact to the business. A sheltered scheme in Woodcote is currently being redeveloped to provide up to date accommodation.

**j) Financial Review**

Soha’s financial results for the year are set out on pages 15 to 43 following this report. The chart below shows the operating surpluses (£m) and EBITDA (%) over the last 5 years.



The main elements of the financial results are explained below:

## Soha Housing Limited

### Report of the Board – Operating and Financial Review (continued)

#### j) Financial Review (ctd)

##### Income and Expenditure Account

Key elements:	2010 £'000	2009 £'000	Increase/ (Decrease) £'000
Turnover on social housing lettings	23,873	22,375	1,498
Turnover from property sales	4,376	4,319	57
Surplus on 1 <sup>st</sup> tranches	323	1,022	(699)
Operating costs	15,165	16,349	(1,184)
Housing depreciation	1,666	1,241	425
Interest payable	5,243	6,402	(1,159)
Surplus for year	3,973	2,347	1,626

Soha made a surplus for the year of £3,973,000. £323,000 has been added to the operating surplus through first tranche sales of shared ownership properties. The overall surplus is after deducting housing depreciation of £1,666,000.

The surplus included the effect of revaluing properties in previous years. If it was adjusted for the realisation of previous revaluations of properties sold this year (£227,000) and a difference in depreciation charges (£930,000), the historical cost surplus would have been £5,130,000 (2009: surplus £2,960,000).

Key elements of the results are:

- Turnover from **social housing lettings** increased by £1,498,000 due to rent increases in April 2009 and the number of available units for letting increasing through the completion of development projects.
- Sales of developed properties decreased this year to 38 units from 45 units in 2009. But due to the mix of properties sold turnover marginally increased to £4,376,000.
- Operating costs decreased by £1.1m, £742,000 of which was attributable to a decision to delay the planned maintenance programme and higher responsive repair costs in 2008/09.
- Interest paid decreased by £1.1m due to continued low interest rates and good treasury management.
- EBITDA and interest cover are KPIs which are monitored internally, both of which improved during the year: EBITDA to 43.4% (2009: 34.5%) and interest cover 1.53 (2009: 1.41).

##### Balance Sheet

At 31 March 2010, Soha's balance sheet showed total assets less current liabilities of £305.6m (2009: £303.1m) - a small increase of 1% compared with the position at 31 March 2009. The main points are as follows:

**j) Financial Review (ctd)**

- The carrying value of Soha's properties at 31 March 2010 was £295m (2009: £290m). The stock was last valued at 31 March 2009 by Drivers Jonas and was based on discounted future cashflows on an EUV-SH basis. One class of assets was not revalued as this would be inappropriate (see note 12) and these are included at cost less depreciation.
- The cost of improvements of £349,000 (2009: £208,000) has been capitalised under capitalisation rules set out in FRS 15 and the SORP. However, component accounting has not been adopted to date as there has been debate as to whether it is appropriate, but we will reconsider following the forthcoming publication of the revised SORP and technical notes.
- Expenditure on development schemes was £12.5m net of Social Housing Grant of £4.9m representing 169 completed new build properties with a further 94 units under construction at 31 March.
- At 31 March 2010, Soha's net current assets amounted to £8.2m (2009: £10.4m).

The Board considers that the results for the year have been excellent and that Soha has adequate resources to achieve the objectives set out in its Corporate Plan and sustain the activity set out in the related 30 year Business Plan.

**Capital Structure and Treasury Policy**

Soha has a formal Board approved treasury policy which follows the revised CIPFA Code of Practice. Its approach to treasury is that it is a function that allows access to funds to carry on its business, not as a separate business activity that is expected to produce surpluses itself. As such, while Soha attempts to take advantage of opportunities to borrow at lower cost, it is primarily concerned with managing cash flow effectively and monitoring the risk inherent in treasury activities.

The Association has a loan facility with Dexia Public Finance Bank Plc for £135 million until January 2041. £25 million of the facility is on a revolving basis, the remainder has to be repaid on a gradual basis starting in January 2017. The profile of the debt is as follows:

Tranches at fixed rates:	<b>£m</b>	<b>£m</b>
due to mature in under 5 years	20.00	
in 5-10 years	10.00	
in 20-25 years	<u>10.00</u>	
		40.00
Tranches at fixed rates cancellable at bank's option:		
due to mature in 20-25 years	25.00	
in 25-30 years	<u>25.00</u>	
		50.00
Tranches at variable rates (1 month LIBOR)		<u>38.00</u>
Total loan drawdown at 31 March 2010		<u>128.00</u>

The Association also has a forward fix in place for £20 million aligned to the maturity of the shortest fix above for a further 10 years.

**j) Financial Review (ctd)**

Fixed rates vary from 3.99% to 5.44% (excluding margin). Cancellable options can be exercised quarterly and annually and for £25 million cannot be exercised before June 2013. Soha also has a forward fix for £20 million from maturity of the shortest fix for another 10 years.

The Board is actively monitoring the current uncertainty in the funding markets and ensuring that business objectives can be met and are in line with realistic expectations. In order to secure funding for development over the next 3-4 years, the Association is currently negotiating additional facilities in the region of £25 million.

**k) Statement of the Board's Responsibilities**

The Board is required to prepare financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial year which gives a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Board must:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed. Any material departures must be disclosed and explained in the financial statements;
- prepare the financial statements on a 'going concern' basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996. It is also responsible for maintaining a satisfactory system of control over the accounting records and transactions and for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**I) Internal Controls Assurance**

The Tenant Services Authority (TSA) used to set out their guidance in circular 07/07. This has now been withdrawn. Under it, the Board was required to ensure internal controls were in place and they consider that as good practice they should continue to do so. Therefore, they confirm this through the following statement:

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

The Board recognises that it is responsible for the Association's system of internal control and its effectiveness. In meeting these responsibilities, the Board has adopted a risk-based approach to internal controls embedded within normal management and governance processes. This includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is in line with the Tenant Services Authority's previous circular 07/07: *Internal controls assurance*.

The Audit Committee, on behalf of the Board, has carried out an annual review of the process adopted by the Board in reviewing the effectiveness of the system of internal control. Some of the key elements of the control framework include:

**a) Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. The Senior Management Team and the Audit Committee regularly consider reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The key risks facing the Association at the moment have been discussed by the Board recently and are set out in part (c) of the OFR. The Board have taken an active approach to the risks arising from current uncertainty in the property and funding markets, which has included the setting up of a working group and the consideration of a series of papers on the issues during the year.

**b) Board and Audit Committee overview**

The Audit Committee and the Board review risk management on a continuous basis and review regular reports and assurance from Senior Management on internal control. A process of self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken for any significant control issues, particularly those that might have a material impact on the financial statements.

**c) Control environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board disseminates its requirements to all employees through the Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. Where failings or weaknesses in control are identified, action is taken to remedy them and progress reported to the Audit Committee and/or the Board. There have been no significant failings or weaknesses identified during the year.

**d) *Internal Audit***

In previous years, the internal control framework and risk management process was subject to regular review by Internal Audit. For 2009/10, the Audit Committee and Board decided not to use a formal internal audit programme. Instead, it was felt better Value for Money could be obtained by identifying specific areas for internal review combined with an annual overall review of main controls. This is the approach that has been adopted.

**e) *External Inspection and Accreditation***

The Association is committed to good quality management systems. It has gained and maintained the Investors in People accreditation. The Association is working towards excellence in all its activities, especially those that affect tenants directly, and commissioned HQN to carry out a mock inspection, in June 2009, of its service areas based on the methodologies that are used by the Audit Commission. As a result, the Association has put in place a set of Service Improvement Plans covering all areas of the Association's work. In addition, the Audit Commission carried out a Short Notice Inspection in September/October 2009. The results are noted in section f) of the Report of the Board.

**f) *The Tenants' Services Authority Standards***

During the year, the Board had responsibility for ensuring that the Association complies with its obligation under the Regulatory Code. In doing this they approved the Self Assessment of Compliance Statement and monitor progress against it.

The TSA Standards published during the year replace the Regulatory Code. The standards require providers to set out what they offer to tenants and set local standards that reflect the priorities of local communities. Providers should be transparent and report on performance to their tenants. We are well placed to implement these new standards effectively.

**g) *Performance Indicators and information/financial reporting systems***

Financial reporting procedures for the Association include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

**h) *Annual Review***

The Board has received the Executive Officers' annual report and the annual review of the effectiveness of the system of internal control from the Audit Committee and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

As a result of the above, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place for the year ended 31 March 2010 and the subsequent period to 28 July 2010.

## **Soha Housing Limited**

### **Report of the Board – Operating and Financial Review (continued)**

#### **m) Housing Association Governance**

The National Housing Federation produces a Code of Governance. As this sets out best practice, Soha has adopted the code in its rules, regulations, policies and procedures. Soha complies with all elements of the code with the exception of the recommendation on the term of Board appointments.

The code states that Board appointments should be for fixed terms of 3 years subject to a maximum term of office of 3 terms. Soha's rules state that any Board member appointed after 1 January 2002 may only serve 3 terms; however Board members appointed prior to this date may serve 4 terms. The Board considers this appropriate so as to allow for smooth Board continuity and progression.

Soha's Board of 12 is made up of 4 tenant representatives, 6 members of the wider community, 1 co-optee and the Chief Executive. Board membership reflects a wide cross-section of tenant, professional, commercial and public sector interests and members are selected for the skills and experience which they can bring. Soha pays Board members with a specific portfolio. The rates of pay are in line with those recommended by The National Housing Federation and the total amounts paid are set out in note 7 to the accounts.

There are two formal committees: Audit and Personnel as well as a separately constituted Tenants' Forum which reviews operating performance and comments on policies.

The Board is responsible for determining Soha's strategy and policies and for ensuring that its affairs are properly managed. The implementation of these has been delegated to the Chief Executive who meets formally with the Directors and senior managers regularly.

#### **n) The Board and Executive Officers**

The Board and Executive Officers are listed on page 44. Victor Breach, Valerie Edwards and Ian King retired from and Don Harrison and Val Kir were appointed to the Board on 16 September 2009. Valerie Austin was appointed to the Board and Peter Miller-Smith replaced Peter Jones as Co-optee on 25 November 2009. Bob Bradley and Tracey James are co-opted to the Audit Committee.

With the exception of the Chief Executive, each full Board member holds one share in the Association. The Executive Officers of Soha hold no interest in the Association's share capital and although, with the exception of the Chief Executive, they do not have the legal status of directors, they act as executives within the authority delegated by the Board.

**n) The Board and Executive Officers (ctd)**

The Executive Officers and Senior Management team are listed below:

Richard Peacock	(Chief Executive)
Maureen Adams	(Director of Customer Services)
Steve Lynch	(Director of Property & Development)
Paul Rennard	(Director of Finance & Resources)
Lee Hayward	(Assistant Director of Customer Services)
Adrian Brunskill	(Head of Housing)
Emma Lovett	(Financial Controller)
Penny Gotch	(Legal Services Manager)
Richard Smith	(Asset Manager)
Catherine Little	(Policy and Initiatives Manager)

**o) Employment**

Soha is committed to working actively to promote equality of opportunity both in its employment practices and in the delivery of its services. It is committed to continually reviewing its employees' training and development needs and has a comprehensive appraisal procedure to help achieve this. Soha's work in this area has been recognised by accreditation under the Investors In People scheme.

Employees participate actively in the development of Soha's objectives, both strategic and operational, through team meetings, the annual staff conference, regular briefing sessions and the Staff Consultative Committee.

Staff surveys are regularly undertaken and it is a sign of the commitment of all employees that over 90% of staff are proud to work for Soha.

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to each individual's particular aptitude and abilities. Every effort is made to supply all necessary building adaptations and employment equipment to enable disabled employees to carry out the full duties of their jobs.

**p) Charities**

In addition to time and support given to local charities, several small donations were made during the year.

Soha also made a gift aid donation of £1.6m to its charitable subsidiary, Soha Neighbourhood Services Ltd.

**q) Insurance and Health & Safety**

Soha maintains a range of insurance policies to protect the association against various risks. These are reviewed before renewal each year and cover is adjusted to take account of changing risks and Value for Money. The policies include cover for members of the Board and executive officers against liabilities in relation to Soha and its activities.

The Board recognises its responsibilities on all matters relating to Health and Safety, and have appropriate policies and procedures in place. The health and safety of all staff is monitored by the Health and Safety Committee which meets quarterly and supervises risk appraisals. Training is provided to staff each year on health and safety issues relevant to their jobs and Soha's policy is regularly reviewed to ensure compliance with current legislation and best practice.

**r) External Auditors**

BDO LLP (formerly BDO Stoy Hayward LLP) has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

**s) Statement of Compliance**

In presenting the Operating and Financial Review on pages 1 to 14 the Board has endeavoured to follow principles regarding purpose, audience, timeframe, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for Accounting by Registered Social Landlords Update 2008.

On behalf of the Board

**CAROLE BURCHETT**

**Chair**

28 July 2010

We have audited the Group and Association financial statements (the "financial statements") of Soha Housing Limited for the year ended 31 March 2010 which comprise the Income and Expenditure Accounts, the Balance Sheets and Statements of Total Recognised Surplus for the Group and Association, the Cash Flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

***Respective responsibilities of the Board and auditors***

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the Board.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Group has not kept proper accounting records, a satisfactory system of control over transactions has not been maintained, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report of the Board, and consider whether it is consistent with the audited financial statements. This other information comprises only the operating and financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of Schedule 1 paragraph 16 to the Housing Act 1996 and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

***Basis of audit opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

***Opinion***

In our opinion the Group and Association financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2010 and of their results for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

**BDO LLP**

*Chartered Accountants and Registered Auditors*  
Epsom, Surrey

**Soha Housing Limited**

**Income and expenditure account for the year ended 31 March 2010**

	<i>Note</i>	<b>Group</b>		<b>Association</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	3	28,996	27,507	29,971	27,507
Cost of sales	3	(4,544)	(3,462)	(4,544)	(3,462)
Operating costs	3	(15,165)	(16,349)	(16,881)	(19,665)
<b>Operating surplus</b>	3	<b>9,287</b>	<b>7,696</b>	<b>8,546</b>	<b>4,380</b>
Surplus on sale of properties and land	5	(87)	1,018	(87)	1,018
Interest receivable	9	14	35	7	35
Interest payable	10	(5,243)	(6,402)	(5,243)	(6,402)
<b>Surplus/(deficit) on ordinary activities before tax</b>	8	<b>3,971</b>	<b>2,347</b>	<b>3,223</b>	<b>(969)</b>
Tax on surplus on ordinary activities	11	2	-	-	-
<b>Surplus/(deficit) for the financial year</b>		<b>3,973</b>	<b>2,347</b>	<b>3,223</b>	<b>(969)</b>

All amounts relate wholly to continuing activities.

The notes on pages 20 to 43 form part of these financial statements.

## Soha Housing Limited

### Statement of total recognised surplus for the year ended 31 March 2010

	<i>Note</i>	<b>Group</b>		<b>Association</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) for the financial year		3,973	2,347	3,223	(969)
Unrealised surplus on revaluation of properties		51	66,618	51	66,618
Unrealised surplus/(deficit) on revaluation on shared equity properties and investment loans	14,22	-	(221)	-	(221)
Total recognised surplus since last annual accounts		4,024	68,744	3,274	65,428

## Soha Housing Limited

### Note of historical cost surplus and deficit for the year ended 31 March 2010

		<b>Group</b>		<b>Association</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reported surplus/(deficit) on ordinary activities before taxation		3,973	2,347	3,223	(969)
Realisation of property revaluation surplus of prior years	5, 22	227	34	227	34
Difference between actual depreciation charge and that based on historic cost	22	936	579	936	579
Historical cost surplus/(deficit) on ordinary activities before taxation		5,136	2,960	4,386	(356)
Taxation	11	2	-	-	-
Historical cost surplus/(deficit) for the year after taxation		5,138	2,960	4,386	(356)

The notes on pages 20 to 43 form part of these financial statements.

# Soha Housing Limited

## Balance sheet as at 31 March 2010

	Note	Group		Association	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Tangible fixed assets</b>					
Housing properties	12	294,758	290,164	294,758	290,164
Investments	14	589	593	589	593
Other tangible fixed assets	15	2,024	1,971	2,024	1,971
		297,371	292,728	297,371	292,728
<b>Current assets</b>					
Land and Properties held for resale	13	8,070	6,477	8,070	6,477
Debtors	17	1,508	1,104	1,679	1,888
Cash at bank and in hand		5,268	9,530	1,028	5,430
		14,846	17,111	10,777	13,795
<b>Creditors:</b> amounts falling due within one year	18	(6,629)	(6,732)	(6,626)	(6,732)
<b>Net current assets</b>		8,217	10,379	4,151	7,063
<b>Total assets less current liabilities</b>					
		305,588	303,107	301,522	299,791
<b>Creditors:</b> amounts falling due after more than one year	20	128,500	130,043	128,500	130,043
<b>Capital and reserves</b>					
Share capital	21	-	-	-	-
Revenue reserve	22	6,874	1,742	2,808	(1,574)
Restricted reserve	22	933	929	933	929
Revaluation reserve	22	169,281	170,393	169,281	170,393
<b>Total capital and reserves</b>		177,088	173,064	173,022	169,748
		305,588	303,107	301,522	299,791

In view of the constitution of the Association all shareholdings are considered to relate to non-equity interests as disclosed in note 21.

The financial statements were approved by the Board on 28 July 2010 and were signed on its behalf by:

**CAROLE BURCHETT**  
Chair

**JONATHAN WHEELER**  
Board Member

**RICHARD PEACOCK**  
Secretary

The notes on pages 20 to 43 form part of these financial statements.

**Soha Housing Limited**

**Cash flow statement for the year ended 31 March 2010**

	<i>Note</i>	<b>Group</b>		<b>Association</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	24	9,498	10,122	9,364	6,022
<b>Returns on investments and servicing of finance</b>					
Interest received		42	7	36	7
Interest paid		(5,286)	(6,464)	(5,286)	(6,464)
		(5,244)	(6,457)	4,114	(6,457)
<b>Taxation</b>		-	-	-	-
<b>Investments</b>		126	-	126	-
<b>Capital expenditure and capital receipts</b>					
Construction and purchase of housing properties		(12,802)	(17,997)	(12,802)	(17,997)
Sale of properties		734	808	734	808
Social Housing Grant received		5,112	7,086	5,112	7,086
Purchase of other fixed assets		(186)	(74)	(186)	(74)
<b>Net cash outflow from capital expenditure and receipts</b>		(7,142)	(10,177)	(7,142)	(10,177)
<b>Cash outflow before use of financing</b>		(2,762)	(6,512)	(2,902)	(10,612)
<b>Financing</b>					
Repaid loans		(1,500)	15,250	(1,500)	15,250
<b>Net cash outflow from financing</b>	24	(1,500)	15,250	(1,500)	15,250
<b>(Decrease)/Increase in cash in the year</b>	24	(4,262)	8,738	(4,402)	4,638

The notes on pages 20 to 43 form part of these financial statements.

## **1 Background**

The Association is incorporated as a charitable Industrial and Provident Society under the Industrial and Provident Societies Act 1965. The Association is a Registered Provider, registered with the Tenant Services Authority under the Housing Act 1996.

## **2 Principal Accounting Policies**

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of housing properties and in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords 2008". A summary of the principal accounting policies is set out below on pages 20-24. There have been no changes during the year.

### **Fixed assets - housing properties**

Housing properties are properties held for rent, including the retained share of shared ownership properties. All properties are revalued at least every 5 years by independent valuers (with an interim valuation every 3 years if a full revaluation has not been carried out), except for those managed by third parties, properties under construction and those assets which, although currently being rented, are held ultimately for resale. The aggregate surplus on revaluation is transferred to a revaluation reserve. The last revaluation was carried out at 31 March 2009. Properties which have not been revalued are shown at cost less depreciation.

The carrying value of the housing properties in the balance sheet (including the land on which the properties stand) is calculated using the Existing Use Value for Social Housing basis in the year in which a full or interim revaluation is carried out. In other years new properties added during the year are shown at cost. Depreciation of housing properties is required under Financial Reporting Standard 15 with the depreciable amount being the difference between the carrying value of the properties and their residual value at the end of their useful economic life. In line with guidelines from the Homes and Communities Agency, the residual value is considered to be a percentage of the valuation based on a matrix issued by the National Housing Federation based on data from the Valuation Office, which has been updated to reflect property price inflation. The useful economic life of all properties is estimated at an average of 100 years.

Costs relating to leasehold properties are written off over the term of the lease or 50 years, whichever is the shorter.

Properties are not shown in the balance sheet at an amount exceeding their recoverable amount. An impairment review is carried out annually to identify properties that may have a permanent diminution in value. Properties held in fixed assets but are held with a view to ultimate resale, e.g. properties market rented over the short term but which will be sold in the medium term, are considered a separate class of asset and are carried at cost less accumulated depreciation and are subject to a review against net realisable value using a similar approach to that used for land and properties held for resale.

## **2 Principal Accounting Policies (ctd)**

### **Improvements**

The Group capitalises, at cost, expenditure on housing property which significantly extends its useful life or which generates an increase in net rental income or a substantial reduction in future maintenance costs. Expenditure is recognised as an addition to the asset only to the extent that it provides an economic benefit in excess of the standard of performance anticipated when the asset was first acquired or constructed or last replaced.

### **Social Housing Grant and other grants**

SHG is receivable from the Homes and Communities Agency and/or local authorities towards the acquisition or development of properties and is used to reduce the capital costs of new social housing. SHG is repayable indefinitely unless formally abated or waived. Following the sale of property originally funded by SHG or certain other specific events, the grant is repayable, but will be restricted to the net proceeds of sale where appropriate. On the sale of such a property, the SHG can be reinvested in newly developed or acquired properties. Prior to the reinvestment, the amount of SHG is treated as part of the Recycled Capital Grant Fund included within creditors.

SHG received in advance of development costs is shown as a current liability. SHG due to the Group is shown as a debtor. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it related. The treatment of other grants follows that for SHG.

### **Property sales**

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a lease premium equal to between 25% and 75% of open market value. The occupier usually has the right to purchase further proportions at the then current valuation up to 100% unless this is restricted by the section 106 agreement. Proceeds of sale of all tranches are included in income and expenditure account. Proceeds from first tranches are included in turnover and from subsequent tranches are treated as sales of fixed assets and included in the surplus/deficit on sale of properties and land.

Proceeds from properties developed to be sold on the open market and from shared equity sales are reflected in the income and expenditure account in turnover. Under shared equity arrangements, the Group disposes of the freehold or a long lease of shared equity housing units to persons who occupy them. The occupier does not have the right to purchase any further proportion. Where the Group retains an equity share in properties it is held as fixed asset investment in property.

### **Recycled Capital Grant Fund and Disposal Proceeds Fund**

Following certain relevant events, mainly sales of properties or shares in properties under Right to Buy arrangements, through Shared Ownership staircasing or for asset management reasons, the Group disposes of properties where SHG or other grant was obtained when they were built, bought or sold. The Homes and Communities Agency can direct the Group to recycle or repay the attributable grant and, in some cases, net proceeds. The amounts to be recycled are transferred to, and held in, a recycled capital grant fund or a disposal proceeds fund, which are shown in creditors.

**2 Principal Accounting Policies (ctd)****Other fixed assets and depreciation**

Depreciation is charged on other fixed assets on a straight-line basis over their expected economic useful lives. The Association owns the freehold land and building it uses as its Head Office. The land element of the cost is not depreciated; the remaining cost is depreciated over 50 years. Other tangible fixed assets are stated at cost less accumulated depreciation. The following annual rates are used to write off their cost less estimated residual values:

Freehold office improvements	10%
Office furniture and equipment	At various rates from 20-25%
Computer equipment	33 <sup>1</sup> / <sub>3</sub> %
Scheme equipment	20%
Vehicles	25%

**Investments in Properties**

Under the Starter Home Initiatives Scheme, the Association made investments in the form of loans to key workers to buy their homes. The loan represents an equity percentage which must be repaid when the key worker sells the property. The investments are revalued annually in line with the private housing market using the regional house price index issued by the Government. When a property is sold any surplus or deficit above or below the carrying value of the investment is reflected in the income and expenditure account.

For properties sold under Shared Equity arrangements, the Group retains an equity percentage which must be repaid to the Group when the property is sold. The investment is revalued annually and surpluses/deficits are reflected as above.

**Land and Properties held for resale**

The appropriate share of costs of housing properties that are built with the intention of full or partial resale, including equity share and shared ownership properties, are disclosed as current assets and stated at the lower of cost or net realisable value. Net realisable value is a judgement and is estimated by the Directors based on anticipated income after taking into account costs to complete where appropriate. Similarly the cost of any land held for resale is included as a current asset.

When land or properties are sold, their costs, together with any selling and marketing costs, are transferred to the income and expenditure account and included in cost of sales. Where a property is part of a distinct development scheme with mixed tenure elements, the surplus recognised on the elements sold is limited to the surplus calculated on the entire scheme. For the elements that are retained as fixed assets, the surplus or deficit is calculated by reference to the assets' existing use value for social housing. Any restriction applied to the surplus is included in cost of sales and added to the cost of the retained fixed assets.

**Bad and doubtful debts**

The Group provides against rent arrears of current and former tenants and other miscellaneous debts to the extent that they are considered to be irrecoverable.

## **2 Principal Accounting Policies (ctd)**

### **Deferred taxation**

As a charitable company, the Association is not liable for tax on its mainstream activities. If tax were anticipated on non-charitable activity or in a non-charitable subsidiary then the following policy applies. Deferred tax balances recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- Deferred tax is not recognised on timing differences on revalued properties unless the Association has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- The recognition of deferred tax assets is limited to the extent that the Group clearly anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### **Turnover**

Turnover represents rental and service charge income receivable, net of rent losses from voids, together with income receivable in respect of other services provided and first tranche shared ownership, equity share and open market property sales made during the year.

### **Sales under Right to Buy legislation**

Surpluses or deficits arising from the disposal of properties both under Right to Buy or Right to Acquire legislation and for asset management reasons are disclosed on the face of the income and expenditure account. The surpluses or deficits disclosed in relation to Right to Buy are net of any sums payable to South Oxfordshire District Council under the terms of a clawback agreement ending on 31 March 2018.

### **Supporting People Income and Expenditure**

Supporting People funding is receivable from Local Authorities on a contractual basis. Where funding is received for the support charge made to tenants, this is shown in Social Housing Lettings (see note 4).

The remainder of the funding is under a block subsidy contracts which enables the Group to provide services such as floating support. This income is shown as other Social Housing Activities (see note 3). Related costs for these services are matched to the income and both are recognised in the income and expenditure account in the period to which they relate.

### **Pension costs**

The Association participates in the industry-wide, multi-employer defined benefit Social Housing Pension Scheme. Retirement benefits to employees of the Association are funded by contributions from the employers and employees participating in the scheme. Payments are made to a fund administered by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. The expected cost to the Association of pension contributions is charged to the income and expenditure account so as to spread the pension cost over the service lives of employees.

**2 Principal Accounting Policies (ctd)**

**Leased assets**

Rentals paid under operating leases are charged to the income and expenditure account in the period to which they relate.

**Value Added Tax (VAT)**

The Group is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption rules is credited to the income and expenditure account.

**Consolidation**

The Group is required to produce group accounts. The consolidated income and expenditure account, balance sheet and cash flow statement include the financial statements of the Association and its subsidiaries up to 31 March 2010. Intragroup sales and surpluses charged at transfer prices are eliminated fully on consolidation.

**3 Turnover, Operating Costs and Operating Surplus**

Group	Year ended 31 March 2010				Year ended 31 March 2009			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	23,873	(36)	(14,384)	9,453	22,375	(71)	(15,513)	6,791
<b>Other social housing activities:</b>								
Supporting People contracts	177	-	(119)	58	200	-	(133)	67
Leaseholder services	100	-	(111)	(11)	110	-	(131)	(21)
Development administration	-	-	(468)	(468)	-	-	(465)	(465)
Other	4	(3)	(11)	(10)	50	(11)	(46)	(7)
<b>Total other social housing activities</b>	<b>281</b>	<b>(3)</b>	<b>(709)</b>	<b>(431)</b>	<b>360</b>	<b>(11)</b>	<b>(775)</b>	<b>(426)</b>
<b>Non-social housing activities:</b>								
Lettings	466	(179)	(70)	217	453	(146)	(61)	246
Other	-	-	(2)	(2)	-	-	-	-
<b>Total non-social housing activities</b>	<b>466</b>	<b>(179)</b>	<b>(72)</b>	<b>215</b>	<b>453</b>	<b>(146)</b>	<b>(61)</b>	<b>246</b>
<b>Total excluding property sales</b>	<b>24,620</b>	<b>(218)</b>	<b>(15,165)</b>	<b>9,237</b>	<b>23,188</b>	<b>(228)</b>	<b>(16,349)</b>	<b>6,611</b>
<b>Property Sales:</b>								
<b>Social housing:</b>								
Shared Ownership 1 <sup>st</sup> tranche sales	3,467	(3,144)	-	323	3,800	(2,778)	-	1,022
Shared Equity sales	-	-	-	-	-	-	-	-
<b>Non-social housing:</b>								
Outright Sales	909	(1,182)	-	(273)	519	(456)	-	63
<b>Total property sales</b>	<b>4,376</b>	<b>(4,326)</b>	<b>-</b>	<b>50</b>	<b>4,319</b>	<b>(3,234)</b>	<b>-</b>	<b>1,085</b>
<b>Total</b>	<b>28,996</b>	<b>(4,544)</b>	<b>(15,165)</b>	<b>9,287</b>	<b>27,507</b>	<b>(3,462)</b>	<b>(16,349)</b>	<b>7,696</b>
<b>Analysed:</b>								
<b>Social housing</b>	27,621	(3,183)	(15,093)	9,345	26,535	(2,860)	(16,288)	7,387
<b>Non-social housing</b>	1,375	(1,361)	(72)	(58)	972	(602)	(61)	309
<b>Total</b>	<b>28,996</b>	<b>(4,544)</b>	<b>(15,165)</b>	<b>9,287</b>	<b>27,507</b>	<b>(3,462)</b>	<b>(16,349)</b>	<b>7,696</b>

# Soha Housing Limited

## Notes on the Financial Statements – 31 March 2010 (continued)

### 3 Turnover, Operating Costs and Operating Surplus (ctd)

Association	Year ended 31 March 2010				Year ended 31 March 2009			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	23,873	(36)	(14,384)	9,453	22,375	(71)	(15,513)	6,791
<b>Other social housing activities:</b>								
Supporting People contracts	177	-	(119)	58	200	-	(133)	67
Leaseholder services	100	-	(111)	(11)	110	-	(131)	(21)
Development administration	-	-	(468)	(468)	-	-	(465)	(465)
Gift Aid donation	-	-	(1,725)	(1,725)	-	-	(3,316)	(3,316)
Other	979	(3)	(4)	972	50	(11)	(46)	(7)
<b>Total other social housing activities</b>	<b>1,256</b>	<b>(3)</b>	<b>(2,427)</b>	<b>(1,174)</b>	<b>360</b>	<b>(11)</b>	<b>(4,091)</b>	<b>(3,742)</b>
<b>Non-social housing activities:</b>								
Lettings	466	(179)	(70)	217	453	(146)	(61)	246
Other	-	-	-	-	-	-	-	-
<b>Total non-social housing activities</b>	<b>466</b>	<b>(179)</b>	<b>(70)</b>	<b>217</b>	<b>453</b>	<b>(146)</b>	<b>(61)</b>	<b>246</b>
<b>Total excluding property sales</b>	<b>25,595</b>	<b>(218)</b>	<b>(16,881)</b>	<b>8,496</b>	<b>23,188</b>	<b>(228)</b>	<b>(19,665)</b>	<b>3,295</b>
<b>Property Sales:</b>								
<b>Social housing:</b>								
Shared Ownership 1 <sup>st</sup> tranche sales	3,467	(3,144)	-	323	3,800	(2,778)	-	1,022
Shared Equity sales	-	-	-	-	-	-	-	-
<b>Non-social housing:</b>								
Outright Sales	909	(1,182)	-	(273)	519	(456)	-	63
<b>Total property sales</b>	<b>4,376</b>	<b>(4,326)</b>	<b>-</b>	<b>50</b>	<b>4,319</b>	<b>(3,234)</b>	<b>-</b>	<b>1,085</b>
<b>Total</b>	<b>29,971</b>	<b>(4,544)</b>	<b>(16,881)</b>	<b>8,546</b>	<b>27,507</b>	<b>(3,462)</b>	<b>(19,665)</b>	<b>4,380</b>
<b>Analysed:</b>								
<b>Social housing</b>	<b>28,596</b>	<b>(3,183)</b>	<b>(16,811)</b>	<b>8,602</b>	<b>26,535</b>	<b>(2,860)</b>	<b>(19,604)</b>	<b>4,071</b>
<b>Non-social housing</b>	<b>1,375</b>	<b>(1,361)</b>	<b>(70)</b>	<b>(56)</b>	<b>972</b>	<b>(602)</b>	<b>(61)</b>	<b>309</b>
<b>Total</b>	<b>29,971</b>	<b>(4,544)</b>	<b>(16,881)</b>	<b>8,546</b>	<b>27,507</b>	<b>(3,462)</b>	<b>(19,665)</b>	<b>4,380</b>

# Soha Housing Limited

## Notes on the Financial Statements – 31 March 2010 (continued)

### 4 Income and Expenditure from Social Housing Lettings

Group and Association	General needs housing £'000	Supported housing** £'000	Key worker housing £'000	Low cost home ownership £'000	Other £'000	2010 Total £'000	2009 Total £'000
<b>Turnover from social housing lettings</b>							
Rent receivable net of service charges and void losses*	18,906	2,832	180	528	20	22,466	21,029
Service charges receivable	162	538	2	57	-	759	724
Charges for care and support services	-	241	-	-	-	241	225
Garage rents and other income	29	8	-	14	298	349	387
<b>Net rent and service charges receivable</b>	<b>19,097</b>	<b>3,619</b>	<b>182</b>	<b>599</b>	<b>318</b>	<b>23,815</b>	<b>22,365</b>
Revenue grants	58	-	-	-	-	58	10
<b>Total turnover from social housing lettings</b>	<b>19,155</b>	<b>3,619</b>	<b>182</b>	<b>599</b>	<b>318</b>	<b>23,873</b>	<b>22,375</b>
<b>Cost of sales</b>	<b>16</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>36</b>	<b>71</b>
<b>Expenditure on social housing lettings</b>							
Management	2,628	310	30	262	113	3,343	3,112
Services	503	901	-	-	63	1,467	1,331
Care and support costs	33	239	-	-	-	272	246
Routine maintenance	3,052	357	3	-	20	3,432	4,174
Planned maintenance	2,284	453	5	-	-	2,742	3,361
Major repairs expenditure	1,110	171	-	-	-	1,281	1,827
Bad debts	116	9	-	-	-	125	150
Depreciation of housing properties	1,294	249	26	82	-	1,651	1,241
Other costs	26	26	-	19	-	71	71
<b>Total expenditure on social housing lettings</b>	<b>11,046</b>	<b>2,715</b>	<b>64</b>	<b>363</b>	<b>196</b>	<b>14,384</b>	<b>15,513</b>
<b>Operating surplus on social housing lettings</b>	<b>8,093</b>	<b>902</b>	<b>118</b>	<b>236</b>	<b>104</b>	<b>9,453</b>	<b>6,791</b>

#### Notes:

\*Rent losses from voids excluding garages

\*\* including housing for older people

	143	189	19	-	0	351	342
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**5 Surplus on Sale of Properties and Land**

<b>Group and Association</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Proceeds net of amount due to South Oxfordshire District Council	678	1,802
Less: Disposals at valuation	(338)	(702)
Costs of sale	(87)	(86)
Transfers to creditors	(354)	-
Net surplus on Starter Home Initiative loans redeemed	14	4
<b>Surplus for the year based on valuation</b>	<b>(87)</b>	<b>1,018</b>
Revaluation surplus realised on disposals	227	46
<b>Surplus for the year based on historic cost</b>	<b>140</b>	<b>1,064</b>

**6 Directors' Emoluments and Expenses**

For the purposes of this note, Directors are defined as Board members and the Executive Officers of the Association (i.e. Chief Executive, Director of Finance & Resources, Director of Customer Services and Director of Property & Development).

	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Aggregate emoluments payable to directors (including pension contributions and benefits in kind):</b>		
Amounts payable to executive staff (see note below)	451	438
Amounts payable to non-executive Board members	37	39
	<b>488</b>	<b>477</b>
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	120	119

The Executive Officers are all members of the Social Housing Pension Scheme. Contributions are made by the Association at the same rates as all other employees and no enhanced or special terms apply.

Non-executive Board members with portfolios are paid for roles they perform but are not members of the pension scheme. Their emoluments for the year are included above. In addition, Board members (including the Chief Executive) have claimed the following expenses during the year.

	<b>2010 £'000</b>	<b>2009 £'000</b>
Expenses reimbursed to Board members	6	7

**7 Employee Information**

The average number of people, including Executive Officers but excluding the Board, employed by the Association during the year was:

	2010		2009	
	Number	Full-time Equivalent	Number	Full-time Equivalent
Office staff	86	80	84	77
Scheme Managers	12	12	13	13
	98	92	97	90

The full-time equivalent is based on a 37 hour week.

	2010	2009
	£'000	£'000
<b>Staff costs (for all of the above staff and Board Members)</b>		
Wages and salaries	2,778	2,639
Social security costs	248	235
Pension costs (see note 26)	288	260
	3,314	3,134

**8 Surplus on Ordinary Activities Before Tax**

Group and Association	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
The surplus on ordinary activities before tax is stated after charging:				
Depreciation				
- housing properties	1,666	1,257	1,666	1,257
- other fixed assets	130	135	130	135
Operating lease rentals				
- land and buildings	22	45	22	45
- other	17	36	17	36
External auditors' remuneration (including VAT)				
- in their capacity as auditors	37	27	34	27
- other services	14	9	12	9

**9 Interest Receivable**

Group and Association	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
From bank and money market deposits	14	35	7	35

**10 Interest Payable**

Group and Association	2010 £'000	2009 £'000
Payable to Dexia Public Finance Bank:		
On housing loans repayable in more than five years	5,237	6,371
On housing loans repayable in less than five years	-	-
	5,237	6,371
Payable to South Oxfordshire District Council	0	1
Allocated to RCGF and DPF	6	30
	5,243	6,402

**11 Taxation on Surplus on Ordinary Activities**

The Association made deficits from the year of inception until 31 March 2005. This meant that the Association created a potential deferred tax asset over the period to 31 March 2005 arising from unrelieved tax losses and other timing differences.

Since 1 April 2005, the Association has made surpluses (excluding the year ended 31 March 2009), but the potential deferred tax asset was not accounted for on the basis that the Association intended to convert to charitable rules in the short term and was not in a position to confirm that it would produce taxable profits consistently.

On 13 July 2009, the Association converted to charitable rules and to that date had not accumulated any taxable profits. After this date no tax will be payable providing the Association carries out charitable activities. Therefore it is not appropriate to provide a deferred tax asset or liability as it is reasonably certain that no tax liability will arise now or in the future.

As a result of the above, in the year ended 31 March 2010, the tax assessed for the Association is lower than the standard rate of Corporation Tax in the UK based on the deficit on ordinary activities before tax.

The differences are explained below:

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Association 2010 £'000</b>	<b>Association 2009 £'000</b>
Surplus/(deficit) on ordinary activities before tax	3,971	2,347	3,223	(969)
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	1,112	657	902	(271)
Effects of:				
Charitable income not subject to tax	(1,787)	(928)	(1,655)	-
Expenses not deductible for tax purposes	24	21	24	21
Property depreciation not deductible for tax purposes	466	352	466	352
Capital allowances (in excess of)/lower than depreciation	(7)	(4)	(7)	(4)
Revaluation surplus in excess of CGT indexation	36	47	36	47
Transfer to Disposal Proceeds Fund and interest thereon not deductible for tax purposes	101	8	101	8
Rollover relief on profit on disposal of property	(8)	(1)	(8)	(1)
Timing differences on costs of properties for sale	140	6	140	6
Differences on accounting for gift aid repayable	-	-	80	-
Tax losses to be utilised (see above)	(79)	(158)	(79)	(158)
Net tax charge for the year	(2)	-	-	-

**Soha Housing Limited**
**Notes on the Financial Statements - 31 March 2010 (continued)**
**12 Tangible Fixed Assets – Housing properties**

Group and Association	General Needs and Supported		Shared Ownership		Key Worker and Market Rented		Leasehold	Total
	Held for Letting £'000	Under Construction £'000	Held for Letting £'000	Under Construction £'000	Held for Letting £'000	Under Construction £'000	Held for Letting £'000	£'000
<b>Cost or Valuation before Grant</b>								
At 1 April 2009	284,608	12,472	12,014	2,114	9,273	-	4,722	325,203
Additions: New Properties	3	11,413	362	1,157	12	-	-	12,947
Additions: Existing Properties	349	-	-	-	-	-	-	349
Disposals	(304)	-	(33)	-	(1,630)	-	-	(1,967)
Transferred into management	17,028	(15,990)	1,947	(1,947)	(1,038)	-	-	-
Transfers (to)/from current assets	(65)	414	(142)	-	-	-	-	207
Transfers between categories	-	350	-	(915)	565	-	-	-
Net movement on revaluation	-	-	51	-	-	-	-	51
<b>At 31 March 2010</b>	<b>301,619</b>	<b>8,659</b>	<b>14,199</b>	<b>409</b>	<b>7,182</b>	<b>-</b>	<b>4,722</b>	<b>336,790</b>
<b>Social Housing Grant</b>								
At 1 April 2009	(24,064)	(5,677)	(1,549)	(60)	(611)	-	(2,897)	(34,858)
Received in year	(124)	(4,921)	-	(282)	-	-	-	(5,327)
Transferred into management	(7,980)	7,980	(275)	275	-	-	-	-
<b>At 31 March 2010</b>	<b>(32,168)</b>	<b>(2,618)</b>	<b>(1,824)</b>	<b>(67)</b>	<b>(611)</b>	<b>-</b>	<b>(2,897)</b>	<b>(40,185)</b>
<b>Cost or Valuation at 31 March 2010</b>	<b>269,451</b>	<b>6,041</b>	<b>12,375</b>	<b>342</b>	<b>6,571</b>	<b>-</b>	<b>1,825</b>	<b>296,605</b>

**Soha Housing Limited****Notes on the Financial Statements - 31 March 2010 (continued)****12 Tangible Fixed Assets – Housing properties (ctd)**

	General Needs and Supported		Shared Ownership		Key Worker and Market Rented		Leasehold	Total
	Held for letting £'000	Under Construction £'000	Held for Letting £'000	Under Construction £'000	Held for Letting £'000	Under Construction £'000	Held for Letting £'000	
<b>Depreciation</b>								
At 1 April 2009	3	-	6	-	142	-	30	181
Charge for year	1,506	-	82	-	41	-	37	1,666
At 31 March 2010	1,509	-	88	-	183	-	67	1,847
<b>Net Book Value</b>								
At 31 March 2010	267,942	6,041	12,287	342	6,388	-	1,758	294,758
At 31 March 2009	260,541	6,795	10,459	2,054	8,520	-	1,795	290,164
<b>Comparable amounts determined according to the historical cost convention:</b>								
Historic cost	139,561	8,659	13,270	409	7,182	-	3,947	173,028
Less: Social Housing Grant	(32,168)	(2,618)	(1,824)	(67)	(611)	-	(2,897)	(40,185)
Net Historic cost	107,393	6,041	11,446	342	6,571	-	1,050	132,843
Cumulative revaluation uplift	162,058	-	929	-	-	-	775	163,762
	269,451	6,041	12,375	342	6,571	-	1,825	296,605

No interest has been capitalised within the value of housing properties.

**Soha Housing Limited****Notes on the Financial Statements - 31 March 2010 (continued)**

<b>Analysis of leasehold units</b>	<b>Short leasehold</b>	<b>Long leasehold</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation	350	4,372	<b>4,722</b>
Social Housing Grant	(212)	(2,685)	<b>(2,897)</b>
Depreciation	(34)	(33)	<b>(67)</b>
Net Book Value	<b>104</b>	<b>1,654</b>	<b>1,758</b>

**Valuation**

All properties were revalued at Existing Use Value – Social Housing in line with the RICS Appraisal and Valuation Manual. This is on the basis that they are managed and owned by Soha, who are committed to the provision of social housing, and that vacant units will be relet, not sold on the open market. This stock was valued by Drivers Jonas as at 31 March 2009 as follows:

<b>Type</b>	<b>No of Units</b>	<b>Value</b>
General Needs and Supported	4,794	£261.0m
Keyworker	35	£2.2m
Shared Ownership	193	£10.7m

The valuation basis is that recommended by the Statement of Recommended Practice. The assumed discount rate was 5.75% (2006: 5.0%) in real terms. In line with the accounting policy, 30 market rented and 35 keyworker properties have been excluded from the annual revaluation and included at cost. These assets form a separate class as they are ultimately intended for resale.

**Units in Management:****Rented:**

	<b>2010 Number</b>	<b>2009 Number</b>
At 1 April 2009	5,067	4,971
Acquisitions and New Build (excluding properties for market sale)	144	104
Transferred into management from unsold market sale	3	12
Sales under Right to Buy/Right to Acquire legislation	(5)	(1)
Private Sector Leasing Scheme units	(3)	(14)
Demolished / Other sales	(1)	(5)
At 31 March 2010	<b>5,205</b>	<b>5,067</b>

**Leasehold:**

At 1 April 2009	228	226
Transfers into leasehold management from sales under Right to Buy/Right to Acquire legislation	-	-
Shared Equity Developments	-	-
Acquisitions & New-build	6	2
Repurchases	-	-
At 31 March 2010	<b>234</b>	<b>228</b>

**Total Units in Management**

<b>5,439</b>	<b>5,295</b>
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**12 Tangible Fixed Assets – Housing properties (ctd)**

**Units in management and under construction**

	In management		Under construction	
	Number 2010	Number 2009	Number 2010	Number 2009
General needs housing	4,091	3,981	73	149
Sheltered housing	780	780	12	-
Supported housing	48	49	-	-
Keyworker housing	32	35	-	-
Shared ownership	221	189	9	27
Shared Equity	13	13	-	-
Leasehold	221	215	-	-
Private Sector Leasing Scheme	-	3	-	-
Other (non-social housing)	33	30	-	26
At 31 March 2010	5,439	5,295	94	202

The Association also holds a short term lease on a property to provide 6 units for special needs housing, sublet to Paramount Housing Association, and the freehold for 1 local business property.

**13 Land and Properties for Sale**

Group and Association	2010	Under	2010
	Ready for Sale	Construction	Total
	£'000	£'000	£'000
Shared Ownership	641	336	977
Open Market Sales	7,093	-	7,093
	7,734	336	8,070

Group and Association	2009	Under	2009
	Ready for Sale	Construction	Total
	£'000	£'000	£'000
Shared Ownership	937	1,207	2,144
Open Market Sales	1,120	3,213	4,333
	2,057	4,420	6,477

## Soha Housing Limited

### Notes on the Financial Statements - 31 March 2010 (continued)

#### 14 Investments

Group and Association	Starter Home Initiative Loans	Shared Equity Properties	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
Cost or Net Realisable Value	781	375	1,156	1,278
Less: Grants received	(785)	-	(785)	(906)
Net revaluation	-	218	218	221
	(4)	593	589	593

The starter home initiative scheme was a government initiative through which the association made loans of up to £30,000 to key workers to enable them to buy their homes. The total represents equity investment loans made which are repayable as a percentage of the sale proceeds when the key worker sells the property. The amounts repayable must then be reinvested, less an amount for administration, in new loans. The scheme ended at 31 March 2004.

The revalued interest in shared equity properties represents the amount repayable to the Association for the equity percentage retained when a property is sold under shared equity arrangements.

#### 15 Tangible Fixed Assets – Other

Group and Association	Office Premises	Office Fixtures & Fittings	Computer equipment	Furniture and equipment	Vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	1,823	1,034	657	892	35	4,441
Additions	17	-	144	23	-	184
Disposals	-	-	(85)	(155)	-	(240)
At 31 March 2010	1,840	1,034	716	760	35	4,385
<b>Depreciation</b>						
At 1 April 2009	30	1,019	593	800	28	2,470
Charge for year	22	4	63	36	5	130
Disposals	-	-	(84)	(155)	-	(239)
At 31 March 2010	52	1,023	572	681	33	2,361
<b>Net Book Value:</b>						
At 31 March 2010	1,788	11	144	79	2	2,024
At 31 March 2009	1,793	15	64	92	7	1,971

# Soha Housing Limited

## Notes on the Financial Statements - 31 March 2010 (continued)

### 16 Capital and Financial Commitments

Group and Association	Capital Commitments		Financial Commitments	
	2010	2009	2010	2009
Contracted for but not provided for in the financial statements:	£'000	£'000	£'000	£'000
Housing property	5,385	11,356	441	1,688
Other capital expenditure	-	-	-	-
	5,385	11,356	441	1,688
<b>Committed but not contracted for:</b>				
Housing property	12,250	4,719	5,589	1,942
Other capital expenditure	395	505	-	-
	12,645	5,224	5,589	1,942

The Association has loan facilities in place which, together with operating surpluses and social housing grant, will fund its commitments for the foreseeable future.

### 17 Debtors

	Group		Association	
	2010	2009	2010	2009
<i>Amounts receivable within one year:</i>	£'000	£'000	£'000	£'000
Rental debtors	896	803	896	803
Less: provision for bad debts	(253)	(203)	(253)	(203)
	643	600	643	600
Other debtors	281	78	281	78
Prepayments and accrued income	582	426	582	426
Deferred tax asset	2	-	-	-
Owed by group companies	-	-	173	784
	1,508	1,104	1,679	1,888

### 18 Creditors: Amounts falling due within one year

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade creditors	1,238	1,816	1,238	1,816
Rents in advance	277	278	277	278
South Oxfordshire District Council	218	89	218	89
Other taxes and social security costs	157	113	157	113
Development and maintenance accruals	2,375	2,464	2,375	2,464
Deferred income and grants	481	294	481	294
Recycled Capital Grant Fund	765	643	765	643
Disposal Proceeds Fund	1,021	939	1,021	939
Other creditors and accruals	97	96	94	96
Owed to group companies	-	-	-	-
	6,629	6,732	6,626	6,732

**Soha Housing Limited****Notes on the Financial Statements – 31 March 2010 (continued)****19 Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)**

<b>Group and Association</b>	<b>Sale of Properties</b>	<b>SHI Loans</b>	<b>RCGF Total</b>	<b>DPF Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2009	17	626	643	939
Sales added to the fund	-	-	-	354
Loans repaid in the year added to the fund	-	122	122	-
Grant recycled into new schemes	-	-	-	(278)
Interest added to the fund	-	-	-	6
At 31 March 2010	17	748	765	1,021

**20 Creditors: Amounts falling due after more than one year**

<b>Group and Association</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans from Dexia Public Finance Bank plc repayable in five years or more	128,000	129,500
Loan redemption costs	500	543
	128,500	130,043

Amounts due to Dexia are secured by a charge over 3,805 of Soha's properties. Interest is payable on loans through a combination of fixed rates, cancellable fixed rates and variable rates.

The provision for loan redemption costs represents the balance of breakage costs incurred on the redemption of loans that have been charged to the income and expenditure account but not yet paid. These costs are to be paid over the life of the replacement loans.

**21 Share Capital**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Shares of £1 each issued and fully paid:</b>		
At beginning of year	20	21
Issued during year	3	1
Cancelled during year	(1)	(2)
At the end of the year	22	20

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests and there are no equity interests in the Association.

**22 Reserves**

<b>Group</b>	<b>Revenue Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Restricted Reserve £'000</b>	<b>Total Reserves £'000</b>
At 1 April 2009	1,742	170,393	929	173,064
Surplus for the year	3,973	-	-	3,973
Transfer of realised revaluation surplus	227	(227)	-	-
Transfer of depreciation on revalued amount to revaluation reserve	936	(936)	-	-
Transfer of interest to restricted reserve	(4)	-	4	-
Revaluation of properties	-	51	-	51
At 31 March 2010	6,874	169,281	933	177,088
<b>Association</b>				
At 1 April 2009	(1,574)	170,393	929	169,748
Surplus for the year	3,223	-	-	3,223
Transfer of realised revaluation surplus	227	(227)	-	-
Transfer of depreciation on revalued amount to revaluation reserve	936	(936)	-	-
Transfer of interest to restricted reserve	(4)	-	4	-
Revaluation of properties	-	51	-	51
At 31 March 2010	2,808	169,281	933	173,022

The Restricted Reserve represents a surplus on the sale of land which was subject to a covenant. The terms of the release require the surplus to be invested, effectively as grant, in other schemes subject to agreement with South Oxfordshire District Council. If it is not used within 3 years, a liability to SODC arises (see contingent liability note 27 part 4).

**23 Operating Lease Commitments**

The Association had annual commitments under non-cancellable operating leases as set out below:

	<b>2010</b>		<b>2009</b>	
	<b>Land and Buildings £'000</b>	<b>Other £'000</b>	<b>Land and Buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
Within one year	22	4	38	18
In two to five years	0	13	-	19
	22	17	38	37

## 24 Notes to the Cash Flow Statement

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>a) Reconciliation of operating surplus to net cash inflow from operating activities</b>				
Operating surplus	9,287	7,696	8,546	4,380
Depreciation	1,798	1,392	1,798	1,392
Decrease/(increase) in land and properties held for resale	38	187	38	187
Decrease/(increase) in debtors	166	955	310	171
(Decrease)/Increase in creditors	(1,791)	(108)	(1,328)	(108)
Net cash inflow from operating activities	9,498	10,122	9,364	6,022
<b>b) Reconciliation of net cash outflow to movement in net debt</b>				
(Decrease)/Increase in cash in the year	(4,262)	8,738	(4,402)	4,638
Cash inflow from increase in debt	1,500	(15,250)	1,500	(15,250)
(Decrease)/Increase in net debt	(2,762)	(6,512)	(2,702)	(10,612)
<b>c) Analysis of changes in net debt</b>				
	<b>At 1 April 2009 £'000</b>	<b>Cashflow £'000</b>	<b>At 31 March 2010 £'000</b>	
<b>Year ended 31 March 2010</b>				
<b>Group</b>				
Cash at bank and in hand	9,530	(4,262)	5,268	
Debt due after one year	(129,500)	1,500	(128,000)	
	(119,970)	(2,762)	(123,232)	
<b>Association</b>				
Cash at bank and in hand	5,430	(4,402)	1,028	
Debt due after one year	(129,500)	1,500	(128,000)	
	(124,070)	(2,902)	(127,472)	
<b>Year ended 31 March 2009</b>				
<b>Group</b>				
Cash at bank and in hand	792	8,738	9,530	
Debt due after one year	(114,250)	(15,250)	(129,500)	
	(113,458)	(6,512)	(119,970)	
<b>Association</b>				
Cash at bank and in hand	792	4,638	5,430	
Debt due after one year	(114,250)	(15,250)	(129,500)	
	(113,458)	(10,612)	(124,070)	

**25 Pension Costs**

The Association participates as a contributing member of the Social Housing Pension Scheme, an industry wide multi-employer defined benefit scheme administered by the Pensions Trust.

The Scheme operated a single benefit structure, based on a final salary with a 1/60<sup>th</sup> accrual rate, until 31 March 2007. From April 2007, the Scheme introduced a choice of benefit structures, which has been refined from April 2010 as follows:

- Final salary with 1/60<sup>th</sup> or 1/80<sup>th</sup> accrual rate
- Career average revalued earning with a 1/60<sup>th</sup> or 1/80<sup>th</sup> accrual rate

From October 2010, the scheme will also introduce a defined contribution option.

An employer can elect the scheme(s) it wishes to operate for existing and new employees and decide on the split of contributions between employer and employee. Soha has elected to continue to operate a final salary with 1/60<sup>th</sup> accrual rate for employees who are members of the scheme at 30 June 2010. New staff and existing staff not in the scheme will have the choice of the defined contribution or the 1/80<sup>th</sup> final salary options.

The Trustee commissions an actuarial valuation of the Scheme every 3 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.

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 that 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.

The Scheme's last published tri-annual valuation was as at 30 September 2008, which valued the Scheme's assets at £1,527 million and showed a shortfall of assets compared to the value of liabilities of £663 million, equivalent to a post service funding level of 70%.

The financial assumptions underlying the valuation were as follows:

▪ average rate of price inflation	3.2% per annum
▪ valuation discount rate - pre-retirement	7.8% per annum
▪ valuation discount rate – non-pensioner post-retirement	6.2% per annum
▪ valuation discount rate - pensioner post-retirement	5.6% per annum
▪ rate of pension increases (post 1988 GMP)	2.8% per annum
▪ pensionable earnings growth	4.7% per annum

The valuation revealed an actuarial deficit of £663 million which is planned to be recovered through 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 below.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

## Soha Housing Limited

### Notes on the Financial Statements - 31 March 2010 (continued)

#### 25 Pension Costs (ctd)

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	18.8
Final salary with a 1/80 <sup>th</sup> accrual rate	13.5

Pension contributions made by the Association in the year totalled £287,582 (2009: £260,242), covering an average of 57 employees (2009: 55). The contribution rate of the Association for the year ended 31 March 2010 was 14.7 % (2009: 14.7%) and for the employees at rates varying between 5.8% and 7.8%.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities attributable to individual participating employers. Consequently, the income and expenditure charge for the period required by FRS 17 represents the contributions payable by the Association.

The Association also participates in the Pensions Trust Growth Plan where employees can contribute AVCs and the Association makes no contribution. As no employees were active at 31 March 2010, it is not considered material to disclose the values and basis of the scheme.

#### 26 Contingent Liabilities

1. As part of the transfer agreement with South Oxfordshire District Council the Association provided various indemnities to the Council in respect of obligations the Association assumed upon the transfer. In the view of the Board there is little likelihood of any liability arising in respect of these indemnities and accordingly no provision is reflected in these financial statements.
2. As set out in note 25, the Association participates as a contributing member of The Social Housing Pension Scheme. While it is not possible to identify the underlying assets and liabilities, the rules of the scheme mean that should Soha withdraw from the scheme, or the scheme is wound-up, the Association may be liable for a buy-out debt.

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

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

The Association has been notified by the Pensions Trust that the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme at 30 September 2009 was £11.18 million (£10.12 million as at 30 September 2008). A similar potential debt exists in relation to the Pensions Trust Growth Plan, which is estimated to be £30,846 (£27,500 as at 30 September 2008). Soha does not have any plans to withdraw from the Scheme and the Scheme does not envisage having to wind-up in the foreseeable future.

**26 Contingent Liabilities (ctd)**

In addition, employers that have closed the Scheme to new entrants are required to pay an additional employer contribution of 3.0%. If Soha were to close the Scheme to new employees, the increase in rates based on current membership would be approximately £53,000 per annum. Soha does not have any plans to close the Scheme to new entrants.

3. Under a development contract, a third party claims that it is due a sum of money for its role in managing the acquisition and development of a site. Soha disputes the amount due and has made an offer to settle. An appropriate amount has been treated as a liability in the accounts. The balance claimed by the third party is considered a contingent liability and has not been provided as Soha believes the third party has no basis for the claim. This amount is not considered material in relation to Soha's overall assets and liabilities.
4. Under the terms of an agreement to release a covenant on land sold by Soha in 2009, it is required to use the net proceeds for investment in regeneration and/or development schemes for older people subject to agreement with South Oxfordshire District Council. The net proceeds have been transferred to a restricted reserve, but should they not be utilised within 3 years, SODC have the right to request 50% of the funds held in the restricted reserve. There is therefore a contingent liability amounting to £462,613 as at 31 March 2010.

**27 Related Party Transactions**

During the year there were no material related party transactions requiring disclosure in these accounts or payments made outside those permitted under Part I of Schedule 1 of the Housing Act 1996.

During the year 6 members of the Board served as Tenant representatives. As such they rent social housing properties from Soha. These properties are let under exactly the same circumstances as other tenants and the Board members are treated in the same way as other tenants in all their dealings with Soha as a tenant.

The Association has 2 subsidiaries, 100% owned by Soha Housing Limited:

Soha Neighbourhood Services Ltd	Charitable Industrial & Provident Society	Incorporated 17/03/09
Soha in Business Ltd	Limited Liability Company registered at Companies House	Incorporated 02/06/09

The results from both companies have been consolidated into the Group results in these financial statements. The Association has taken advantage of the exemption for disclosure of related party transactions with its wholly owned subsidiary companies.

## **Soha Housing Limited**

**Executive and main advisors as at 31 March 2010**

### **BOARD**

Carole Burchett (Chair)	Val Kir
Graham Lovelock (Vice Chair)	Peter Miller Smith (Co-opted)
Valerie Austin	Richard Peacock (Chief Executive)
Cecile Galoselva	Harjit Sandhu
Freda Griffiths	Jonathan Wheeler
Don Harrison	Steve Workman (Chair of Audit)

### **SECRETARY**

Richard Peacock (Chief Executive)

### **EXECUTIVE OFFICERS**

Richard Peacock	(Chief Executive)
Maureen Adams	(Director of Customer Services)
Steve Lynch	(Director of Property & Development)
Paul Rennard	(Director of Finance & Resources)

### **REGISTERED OFFICE**

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99 Station Road  
Didcot  
Oxfordshire OX11 7NN

### **BANKERS**

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Minns Business Park  
7 West Way  
Oxford  
OX2 0BJ

### **FUNDERS**

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Shackleton House  
4 Battle Bridge Lane  
London  
SE1 2RB

### **EXTERNAL AUDITORS**

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East Street  
Epsom  
Surrey  
KT17 1HS

### **PRINCIPAL SOLICITORS**

Devonshires	Anthony Collins	Coffin Mew & Clover
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EC2M 5QY		Hants
		SO15 2UF

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Registered with the Tenant Services Authority (TSA) No. **L 4130**