

Soha Housing Limited

Consolidated Financial Statements

Year ended 31 March 2018

Co-operative and Community Benefit Society
number: 28410R

Regulator of Social Housing number: L4130

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Soha Housing Limited

Executives and advisors for the year ended 31 March 2018

Board of management

Victor Breach (Chair)
Lucy Weston (Vice Chair) (Finance portfolio)
Harjit Sandhu (Chair of Audit and Risk)
Tim Bolton
Jennifer Ekelund
Don Harrison
Peter Haynes
Valerie Kir
Nicola Mellings
David Mody (Appointed September 2017)
Richard Peacock (Chief Executive - retired 29 June 2018)
Katherine Wareing (Chief Executive - appointed 16 July 2018)
Nasreen Razaq Al-Hamdani

Executive management

Richard Peacock (retired 29 June 2018)
Katherine Wareing (appointed 16 July 2018) (Chief Executive)

Maureen Adams
(Director of Customer Services and Operations)

Steve Lynch
(Director of Property & Development)

Nasreen Hussain
(Director of Finance & Resources)

Secretary & registered office

Catherine Little (resigned 4 July 2018)
Katherine Wareing (appointed 16 July 2018)
Royal Scot House
99 Station Road
Didcot
Oxfordshire
OX11 7NN

External auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0AP

Internal auditor

Mazars LLP
Tower Bridge House
St Katherines Way
London
EW1 1DD

Principal solicitors

Devonshires
Salisbury House
London Wall
London

Coffin Mew LLP
Staple House
Staple Gardens
Winchester
Hampshire
SO23 8SR

Bankers

Barclays Bank Plc
1 Churchill Place
E14 5HP
OX11 7NN

National Westminster Bank plc
Willow Court
Minns Business Park
7 West Way
Oxford
OX2 0BJ

Funders

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13th Floor
200 Aldersgate Street
London

Barclays Bank Plc
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London
E14 5HP

M&G Investment Management Ltd
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South Oxfordshire District Council
Council Offices
Crowmarsh
Wallingford
Oxon
OX10 8ED

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2018

A - Principal activities and review of business

Soha is an independent, community-based provider of a range of housing to meet local needs. 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.

We are a high performing, financially healthy organisation and we are in a strong position.

- We have maintained excellent tenant satisfaction at 91%;
- Service delivery and satisfaction is good across all areas of the business;
- Our programme of new homes remains strong, with a projection of 1,250 new homes by 2023. This is a growth rate of between 3 and 4% per annum;
- We retain a strong local presence, with a reputation for punching above our weight nationally.

B - Effects of material estimates and judgements upon performance

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where judgements and estimates have been made are shown in note 3 of the accounts. Further information on the most significant judgements is as follows:

Useful lives of depreciable assets:

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property may reduce the economic life of the property. Accumulated depreciation at 31 March 2018 was £37.1m.

Defined benefit obligations:

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 30). The liability at 31 March 2018 was £2.6m.

C - Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Soha Housing Limited - Registered Social Housing Provider.

D - Value for money

Our strategy

We have a comprehensive and strategic approach to achieving and delivering value for money (VfM) to meet our corporate objectives, which is led by the Board.

We have clear strategic objectives in place in the Corporate Plan 'to be a leading community housing association where residents and staff shape a sustainable future' which is aligned with our purpose. The aims in Soha's strategic objectives are summarised in Section B, Business model in the Strategic Report.

VfM is a crucial part of delivering our business objectives. Soha's Value for Money Strategy clearly sets out our approach. Our approach is driven by the Board and can be considered at 4 levels; strategic, organisational, budget and individual transaction level.

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Report of the Board of Management for the year ended 31 March 2018

Our approach

As part of Soha's Partnership and Mergers Strategy, the Board must consider annually whether continuing with the current structure is appropriate, this includes partnerships and mergers. The appropriateness of the current structure was considered at the June 2018 Board meeting. The Board resolved that given the strength of the Business Plan Soha's current structure is appropriate to achieving its vision, aims and objectives.

Soha's Asset Management Strategy (AMS) clearly sets out how we intend to manage and improve our property portfolio now and in the future. The primary function of Soha's business is to provide good quality affordable housing to people in housing need. The AMS is therefore an essential tool to assist the business to continue to operate efficiently and meet the needs of our customers. It recognises the tension between needing to use our assets to get the most effective financial return and fulfil our social purpose.

The disposal of properties and redevelopment of landholdings for a more appropriate use is an important part of asset management. Holding everything for ever is not managing assets. Soha takes a robust approach to decision making on the use of resources to deliver its objectives, including an understanding of the trade-offs and opportunity costs of its decisions. Property disposals are considered where there is the opportunity to generate high value income, avoid high maintenance exposure or required improvement costs, concern over demand, desired change in required age profile of stock and stock rationalisation.

The Development Strategy confirms Soha's commitment to development and growth and the approach it will adopt to develop housing. The majority of newly developed properties will be general needs housing available for social or affordable rent and shared ownership purchase. The development programme looks primarily to provide housing for people who cannot find a market solution to their housing needs and may be homeless, inadequately housed or need to find alternative housing for reasons of employment, family, disability or health.

Soha will generally look to develop within one hour's car travel from Didcot. Potential for development outside of this parameter will give due consideration to possible impact on the quality of service that can be given to our residents.

Open market sale properties may be developed to cross subsidise or facilitate the development of affordable housing. This would be subject to careful evaluation at the time of the appraisal of the economic conditions.

Soha has a comprehensive understanding of costs and outcomes. The Board approved Soha's performance indicators for 2018/19, which included the seven metrics specifically required to be published annually under the 'Value for Money Standard 2018' issued by the Regulator.

Measuring value for money

A. Return on assets

Soha has a comprehensive approach to asset management, driven by the Board. This is set out through our Corporate Plan and is outlined in the Strategic Report.

A1. Providing new homes

For the last two years, Soha's development programme has been lower than the historic five year average with 185 properties 2017/18 (178 properties, 2016/17) as a result of the rent decrease and a general slowdown of new starts on sites due to uncertainty around Brexit. However, we achieved a good result of 185 new properties at a cost of £28.1m in 2017/18 (2016/17, £22.9m), operating in a high cost development area.

Soha is projecting to deliver 1,759 new properties over a period of 7 years which have been fully factored into the Business Plan 2018/19.

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Report of the Board of Management for the year ended 31 March 2018

A2. Maximising return on assets

In addition to major regeneration works where we consider alternative proposals for underperforming stock in specific localities, schemes or estates, Soha also considers alternatives for properties when they become void which meet specific criteria, allowing us to get a good balance between quick void turnaround times and making the right decisions on a property by property basis. This means that if a void property:

- Is high value (market valuation over £320K);
- Has a high void cost (over £10K); or
- Is low SAP rated (under 55)

we review how best to maximise the return on that asset. Consideration is given to the location of each property, local housing need, as well as the cost and value of the property. The final decision is taken by the Executive Team. During 2017/18, the Executive Team considered 16 void properties which were either high value or had a high void cost. As a result four properties were sold in the year in 2017/18 (two agreed in the previous year 2016/17), giving capital receipts of £1.3m. In total, selling four properties will allow around eight new homes to be built (assuming our current split of 70/30 Affordable Rent / Shared Ownership development mix).

B. Sector Scorecard

Soha engaged in the development of the Sector Scorecard and was one of the associations taking part in the pilot year 2016/17. The Sector Scorecard is an initiative which gives an agreed set of metrics for housing associations to use to compare performance as a way of demonstrating VfM to tenants and other stakeholders. The five reported areas are:

- 1) Business health
- 2) Development capacity and supply
- 3) Outcomes delivered
- 4) Effective asset management
- 5) Operating efficiencies

There are 15 agreed measures reported within the 5 areas which include the seven metrics specifically required to be published annually in the statutory accounts under the 'Value for Money Standard 2018' issued by the Regulator. The Board has agreed the threshold for the seven metrics set by the Regulator and the other key performance indicators (see Strategic Report, Section F, Financial and non-financial key performance indicators).

All the measures in the Sector Scorecard are set out below for the year ended 31 March 2018 compared to the prior performance and the Soha peer group which consists of South West and South East based housing associations with between 2,500 to 10,000 properties.

TABLE A - Business health

Business health	Peer group 2017			Soha actual		Threshold
	Upper	Median	Lower	2016/17	2017/18	2018/19
Operating margin (overall)	42%	36%	32%	46%	41%	n/a
Operating margin (social housing lettings)	43%	37%	34%	49%	40%	>40%
EBITDA MRI (interest cover)	283.8%	256.6%	176.9%	228.8%	211.0%	>130%

In setting the thresholds for the performance indicators and the targets, the Board agreed two 'Golden Rule' measures which are the operating margin for social housing lettings and Earnings Before Interest, Tax, Depreciation, and Amortisation, Major Repairs Included interest cover (EBITDA MRI - interest cover). The operating margin and EBIDA MRI interest cover are respectively set at greater than 40% and 130%. The Golden Rules will not be breached and immediate corrective action will be taken to ensure that Soha remains above the approved threshold level.

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Operating margin is a good measure of overall profitability and for Soha has historically been maintained at around 45%. For 2017/18, it dips to 41% as there is an additional depreciation charge of £1.7m in the year. The additional depreciation charge is the result of aligning the lifecycles of the major components to those in the Asset Management Strategy. From 2018/19 onwards, the Soha Business Plan shows that the operating margin is projected to revert to around 45%.

EBITDA MRI interest cover is over two times above the interest cost and is projected to be maintained above that level going forward in the Business Plan 2018/19.

TABLE B - Development (capacity & supply)

Development - capacity and supply	Peer group 2017			Soha actual		Threshold
	Upper	Median	Lower	2016/17	2017/18	2018/19
New supply delivered (absolute)	141	96	45	170	185	259
New supply delivered %	2%	1%	1%	3%	3%	>3%
Gearing	40.0%	53.0%	66.3%	44.7%	42.4%	<50%

The number of homes delivered by Soha is significantly higher than the peer group average. The Board has set a threshold of above 3%, which is around 200 properties based on the current social housing stock. In the Business Plan 2018/19, Soha is projecting to develop 259 homes in 2018/19 and 250 properties per annum thereafter, which is in line with average historical performance.

The gearing ratio is calculated as net debt divided by the carrying value of housing assets in the accounts, which for Soha is at deemed cost for the historic transfer properties and at cost for the new builds. It should be noted that on transition to FRS102 associations could choose to carry housing assets at cost (including deemed or historic cost) or valuation. As a result comparison to the peer group for the gear and some other ratios is not straight forward.

Nevertheless, Soha's gearing ratio level demonstrates that Soha can continue to develop in line with its objectives in the Corporate Plan with sufficient balance sheet capacity.

TABLE C - Outcomes delivered

Outcomes delivered	Peer group 2017			Soha actual		Threshold
	Upper	Median	Lower	2016/17	2017/18	2018/19
Customer satisfaction (overall service)	90%	88%	86%	92%	91%	90%
Reinvestment %	8%	6%	5%	5%	6%	>5%
Investment in communities (£k)	704	569	107	222	255	n/a

Customer satisfaction is in the peer group upper quartile which is consistent with Soha's customer service philosophy and the objectives in the Corporate Plan 'to be a leading community housing association where residents and staff shape a sustainable future'. The Board has agreed that Soha will aim for customer satisfaction levels to be maintained at above 90% going forward.

Reinvestment percentage is the amount spent on new supply plus capitalised major repairs compared to the carrying value of total properties held at the year end. For new supply, the better measure is under development capacity and supply above. Expenditure on capitalised major repairs is carried out in line with the Asset Management Strategy.

Investment in communities is actual spend in the year. Soha spend in 2017/18 was £255k which includes the employment project and resident and community involvement.

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TABLE D - Effective asset management

Effective asset management	Peer group 2017			Soha actual		Threshold
	Upper	Median	Lower	2016/17	2017/18	2018/19
Return on capital employed	6%	5%	4%	4%	4%	>3.5%
Occupancy	99.5%	99.4%	99.2%	99.7%	99.6%	99.5%
Ratio of responsive to planned repairs	71%	63%	52%	63%	68%	n/a

Return on capital employed (ROCE) is the operating surplus, including gain/(loss) on fixed assets to total assets at the year end. Although, ROCE provides an overall indication of the return Soha is making on asset, Soha's Asset Management Strategy focuses on maximising the potential from housing properties, which accounts for 95% of our asset base.

Occupancy rates provide an indication of how well the lettings process is managed and the Soha void standard. It is maintained at above 99% which is in line with the peer group.

Actual spend on the major components within the planned maintenance budget will be based on lifecycles so will be different each year. Soha plans to maintain the ratio of responsive repairs to planned repairs around 70% in order to ensure that investment in the properties is carried out to maintain long term sustainability and provide VfM.

TABLE E - Operating efficiency

Effective asset management	Peer group 2017			Soha actual		Threshold
	Upper	Median	Lower	2016/17	2017/18	2018/19
Headline social housing unit cost	2,939	3,177	3,734	2,970	2,879	<3,091
Rent collected as % of rent due	101%	100%	100%	99%	99%	100.0%
Overheads as % of turnover	9%	10%	12%	7%	6%	n/a

Soha's headline social housing cost per unit is the upper quartile for the peer group. This cost is a key driver towards maintaining the two Golden Rules; operating margin and the EBITDA MRI interest cover ratio. The Board expects this cost to be maintained at £3,091 in 2018/19. As an important key driver a more in-depth analysis of the unit cost is given below.

Overheads as % of turnover for Soha are significantly below the upper quartile for the peer group. This is consistent with the Soha analysis of overhead non-pay costs carried out as part of the HouseMark analysis given below. Taken together with the social housing unit cost, Soha's performance compared to the peer group demonstrates that it is operating efficiently.

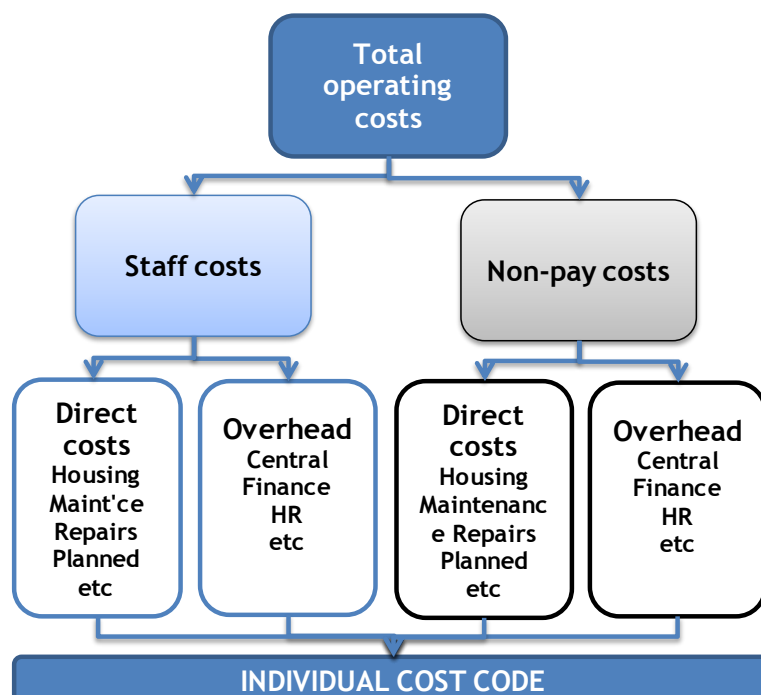
C. HouseMark total operating cost

To enable a good understanding of absolute costs and the comparative costs of service delivery, Soha undertakes an in-depth analysis of the 'headline social housing unit cost' given above. The HouseMark 'total operating cost' is used by Soha to carry out this analysis. In 2016/17, 'headline social housing unit cost' given above was £2,970 and the HouseMark 'total operating cost' was £2,848. The small variance in the number is the result of differences in the methodology used by HouseMark and does not have a bearing on the validity of the deeper analysis.

The latest available HouseMark benchmarking report is for the financial year ended 31 March 2017. In addition to the standard benchmarking report, Soha has asked for a bespoke report which can be drilled down from the total operating cost into 'cost code' information, thereby ensuring that Soha has a good understanding of what is driving its costs. The format of the report can be summarised as:

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Report of the Board of Management for the year ended 31 March 2018



We benchmarked the Soha cost against South East and South West based housing associations with between 2,500 and 10,000 properties. The cost comparisons given below are for the last three available years and demonstrate that Soha understands how its cost and the peer group costs change over time.

Table F: Total operating cost

Financial year	Peer group quartile			Soha operating costs per unit	Soha quartile
	Upper	Median	Lower		
2014/15	2,803	3,053	3,590	2,803	Top Q
2015/16	2,909	3,175	3,610	2,894	Top Q
2016/17	2,633	2,895	3,220	2,848	Med +

Total operating cost upper quartile performance for 2014/15 was £2,803 per property, with Soha's performance at the upper quartile at £2,803. In the following year 2015/16, upper cost quartile performance is £2,909 with Soha at £2,894, well within the upper quartile. In 2016/17, all the quartiles have decreased by an average of 9.7%, with the upper quartile at £2,633 per property. Although our unit cost has decreased, we are in the upper median quartile at £2,484 with the decrease in the peer group.

With the continued pressure on VfM and the focus on unit cost by the Regulator, our analysis shows that housing associations are reducing their cost base. The analysis above does not take into consideration operational performance and quality factors. We will continue to exercise good cost control without compromising our excellent performance and delivery of services to residents.

In order to understand the drivers, the total operating cost is allocated into staff costs and non-pay costs which are given in Table G and Table H below.

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Table G - Staff costs

Financial year	Peer group quartile			Soha staff cost per unit	Soha quartile
	Upper	Median	Lower		
2014/15	747	853	1,109	691	Top Q
2015/16	775	888	1,199	680	Top Q
2016/17	761	902	1,017	648	Top Q

In 2014/15, staff cost upper quartile performance is £747 per property, with Soha's actual performance well within the upper quartile at £691 per housing property.

In 2015/16, peer group upper quartile performance increases to £775 per housing property. We maintain our upper quartile performance at £680, with the unit cost reducing from the previous year. In 2016/17, peer group upper quartile is £761. Again we continue to maintain our upper quartile performance at £648, with the unit cost reducing again from the previous year.

Our continued reduction in staff cost per unit demonstrates that the overall increases in staff costs per annum are in line with the growth in properties.

It is useful to note that within the peer group, there will be housing associations that have a Direct Labour Organisation (DLO) to deliver maintenance, planned and major works. For Soha, these services are delivered by external contractors, the cost of which is included within non-pay costs below. This will be the major driver for Soha's upper quartile staff cost.

Table H - Non pay costs

Financial year	Peer group quartile			Soha non pay cost per unit	Soha quartile
	Upper	Median	Lower		
2014/15	1,298	1,439	1,712	1,383	Med +
2015/16	1,127	1,440	1,540	1,487	Med -
2016/17	1,073	1,204	1,503	1,480	Med -

In 2014/15, the peer group non-pay cost upper quartile is £1,298 per property with Soha at £1,383 which is in the upper median quartile.

In 2015/16, peer group performance for each quartile reduces whilst our non-pay unit cost increases to £1,487 placing us in the lower median quartile.

In the following year 2016/17, the peer group quartile performance continues to reduce, more notably in the median quartile. Soha's result is £1,480 per property which places us in the lower median quartile and very close to the lower quartile of £1,503 per property.

To understand the cost drivers, non-pay-costs can be further analysed by 'overhead cost' (Table I) and 'direct cost' (Table J).

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Table I - Non-pay cost - overhead

Financial year	Peer group quartile			Soha non pay cost per unit (Overhead)	Soha quartile
	Upper	Median	Lower		
2014/15	227	268	320	175	Top Q
2015/16	237	283	369	186	Top Q
2016/17	241	260	297	215	Top Q

Overhead costs include central, premises, HR, IT, finance. It is interesting to note that the upper quartile costs for Soha and the peer group increases each year. Although the overhead unit cost increases for Soha, it is significantly maintained within the upper quartile.

Table J - Non-pay cost - direct services

Financial year	Peer group quartile			Soha non pay cost per unit (Direct service)	Soha quartile
	Upper	Median	Lower		
2014/15	975	1,172	1,464	1,207	Med -
2015/16	822	1,149	1,275	1,302	Bottom Q
2016/17	837	916	1,191	1,265	Bottom Q

Direct non pay costs include major and cyclical works, capital works, responsive and voids works, housing management, estate services and shared ownership and leaseholder services.

It is interesting to note that the non-pay direct service peer group for the median and lower quartile is decreasing from year on year. As highlighted above, Soha does not have a DLO and as all the repairs and maintenance spend is delivered by contractors, the expenditure will be included in non-pay cost direct services.

The majority of expenditure in non-pay direct services is in respect of responsive repairs and planned maintenance, which is the contractor cost of delivering the service. Soha is mindful of this and continues to keep all costs under review by considering a more detailed analysis.

Each of the staff and non-pay costs considered above are further analysed function by function and to the drilled down to the cost code if required. In terms of peer group cost analysis, Soha's costs are maintained in line with its Value for Money Strategy, which also takes into consideration service quality.

E - Compliance with the Governance and Financial Viability Standard

Soha is compliant with the Regulator of Social Housing's (RSH) Governance and Financial Viability Standard.

The overall required outcomes of the Standard are:

- To ensure that there are effective governance arrangements that deliver the aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner;
- To manage resources effectively to ensure their viability is maintained, ensuring that social housing assets are not put at risk. The Standard requires registered providers to assess their compliance with the Standard at least annually and Boards are now required to report their compliance with the Standard within their annual accounts.

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Report of the Board of Management for the year ended 31 March 2018

The definition of assurance means that this is not just an internal and external audit issue. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Note that Boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay;
- Evidence of application of the principles;
- The assurance they receive on quality of records.

Soha has adopted, and is compliant with, the National Housing Federation's Code of Governance (the Code). Following an independent review in December 2015, which confirmed Soha's compliance with the regulatory standards and the NHF Code, the Board completes an annual confirmation of compliance. In June 2018, the Board confirmed that Soha is compliant with the Standard.

F - Going concern

Soha's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

G - Assessment of the effectiveness of internal control

The Regulator (currently the RSH) used to give guidance on internal controls assurance, but this has now been withdrawn. The Association has developed Financial Regulations and a Code of Conduct that requires the Board to ensure internal controls are in place and 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.

The Audit & Risk 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 risk management review in each area of the Association's activities. The Senior Management Team and the Audit & Risk 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

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Report of the Board of Management for the year ended 31 March 2018

Association at the moment have been discussed by the Board recently and are set out in part (e) of the Strategic report.

- b) **Board and Audit & Risk Committee overview**
The Audit & Risk Committee and the Board review risk management on an ongoing 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 & Risk Committee and/or the Board. There have been no significant failings or weaknesses identified during the year.
- d) **Internal Audit**
The Audit & Risk Committee and the Board have engaged the services of Mazars to carry out a programme of internal audit. Internal audit provides the Association, through the Audit & Risk Committee, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the Association's objectives.
- e) **Tenant Audit and Scrutiny Groups**
The Association has developed with tenants a robust Co-regulation model which includes a Tenant Audit Group who test the Association's standards and a Tenant Scrutiny Group who challenge the Association's decisions and planning at a strategic level. This model is recognised as good practice nationally.
- f) **External Inspection and Accreditation**
The Association is committed to good quality management systems. It has gained and maintained the Investors in People accreditation and has been awarded the gold standard. The Association is working towards excellence in all its activities, especially those that affect tenants directly and has achieved and maintained the Customer Services Excellence (CSE) Accreditation.
- g) **The Homes and Community Agency's Standards**
Soha is compliant with the HCA standards and reviews this annually with its Tenants' Forum and Board.

The Association produced a separate document which will be distributed to tenants as part of their Annual Report September 2018. The Board believe this was transparent and clear.
- h) **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.
- i) **Annual Review**
The Audit & Risk Committee has received the Annual Report on Soha's System of Internal Control for the Year Ended 31 March 2018 prepared by the Executive Team. The Board in turn has received the Annual Report of the Audit & Risk Committee and the annual review of the effectiveness of the system of internal control from the Committee and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

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Report of the Board of Management for the year ended 31 March 2018

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 and that its Audit & Risk Committee has reviewed the Fraud Register for the year. This process has been in place for the year ended 31 March 2018 and the subsequent period to 12 September 2018.

H - Post balance sheet events

There are no post balance sheet events.

I - Board members' responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- elect suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

J - Auditors

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2018

BDO LLP has expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

VICTOR BREACH
Chairman
12 September 2018

Soha Housing Limited

Strategic report for the year ended 31 March 2018

A - Objectives and strategies to achieve those objectives

Soha's four year Corporate Plan was set in 2017 and a new set of two-year objectives was set by the Board for 2017/19. The Corporate Plan process is an important opportunity to reflect on the current economic and social environment, as well as taking stock of where we and tenants want Soha to be.

Soha's vision is to be a leading community housing association where residents and staff shape a sustainable future.

The Corporate Plan is based on Soha's values, which are to:

- Put people first
- Achieve more together
- Look for opportunities
- Have high standards

B - Business model

Our business model has evolved from simply providing social housing and the repair and maintenance of houses to developing new homes and helping to build strong communities in which people thrive.

The summary below sets out how Soha is meeting its Corporate Aims, with details of the objectives delivered.

Aims

Aim 1. Do the basics brilliantly

Soha's core priority is to provide excellent services for customers. We want to have an excellent reputation locally and in the sector. If something goes wrong, we will respond well and put it right across our services. We have set 2 year objectives and a brief narrative update is given below:

Implement and embed new IT system to help provide a great customer experience and to streamline processes: The new system (QL) was introduced in June 2017, with good examples of efficiency and suggestions that the consistency of customer service is improving. Progress will become clearer over the second year of the objective.

Increase and improve digital services that tenants choose to use: We continue to build our use of digital channels. Significant channel shift is dependent upon the availability for customers of the 'app' due in July 2018. However, online transactions have increased and we make good use of social media to communicate with tenants.

Capture tenants' experiences to help us keep improving our services A mobile working solution will be rolled out in 2018-19, enabling staff undertaking visits to streamline information. 96% of staff believe resident involvement makes a difference to Soha. 72% say it makes a difference to their job.

We continue to have a culture of listening to our tenants and prospective tenants and acting on their views. We are clear about the impact this has on service improvement, accountability and building social capital and aim to be excellent at empowering tenants and grow our reputation in this area as one of the best in the business.

Throughout the year, we have changed our Rules to open up shareholding to tenants, with clarity over how this structure will support Soha's co-regulatory ethos and culture.

Our objectives for the year, along with a brief update, are given below:

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Strategic report for the year ended 31 March 2018

- **Establish and introduce a membership offer for residents.** A new membership offer has been developed, with 135 members in place by end 2017-18. Our target is for 500 members by the end of 2018-19;
- **Implement an involvement strategy for Shared Owners** Shared ownership management has been transferred to the Housing Team, with a new member of staff recruited to improve satisfaction and involvement.

Aim 2. Provide the homes that are needed now and in the future

Our two year objectives, along with a brief update on progress after one year, are shown below.

1. **Provide 450 new homes** - 185 new homes were completed. 121 were Affordable Rent and 64 Shared Ownership
2. **Develop choice of homes and tailored services for families and younger people affected by welfare reform** -Although changes to the planned LHA cap for social housing tenants were changed during the year, young people remain affected by welfare reform. We have developed a young persons' employment and training housing scheme with SODC. Early in the year, we completed a new scheme complete in Wallingford for people with learning disabilities in partnership with Adult Social care.
3. **Understand affordability of housing products and the impact on residents and explore mitigations** - Having commissioned a report into the affordability of Soha's housing, the Board decided to take an approach of targeting and tailoring support to individuals. A new budget has been agreed to meet this aim in 2018-19.

Aim 3. Support residents and communities to thrive

Soha has as role in the wider community and in supporting tenants to thrive. The two year objectives set by Board, along with a brief update on progress after one year, are shown below:

1. **Deliver an Independent Living Strategy that gives residents choice and control over their home and life.**
 - A Strategy has been established and approved by Tenants' Forum and Board.
 - 400 IL reviews now completed with older and vulnerable residents
 - 800 tenants have adopted Housing Proactive's OK Each Day alert system.
2. **Work towards becoming a dementia friendly organisation**
 - Accreditation will be undertaken by the Alzheimer's Association.
 - A Project group has been established to identify actions.
 - 55 Dementia Friends created from 84 staff who received dementia awareness training plus 15 tenant members of the Seniors' group.
3. **Support residents to maximise their income and consumer power.** 128 people have been supported by Launchpad with mentoring or training. An additional 107 people have been supported by community organisations with help from Soha.
 - The welfare reform strategy has been refreshed and signed off at Board in Jan 2018. At year end, 616 households were recorded as affected by welfare reform.
 - Consumer choice online is covered as part of digital sessions (200 people supported). We are developing measures for the reach and impact of this objective.
4. **Continue to develop a high visibility approach to neighbourhood management, focusing on integration of new and existing communities**

We are working closely with the local authority and community organisations over planned growth in Berinsfield.

Soha Housing Limited

Strategic report for the year ended 31 March 2018

We continue to work with local residents on community cohesion in neighbourhoods.
We are working with agencies and community organisations in Great Western Park as it grows.

Aim 4. Have the right staff, right training, right tools

Attracting and retaining quality staff is key to achieving our objectives. We aim to provide staff with the appropriate tools and resources to help them deliver Soha's objectives, including excellent internal communication. Our two year objectives, together with progress after one year, are shown below:

- 1. Improve approach to mobile working** - Mobile working will be introduced later in 2018.
- 2. Support and upskill staff to maximise the use of the new IT system.** Staff training was rolled out along with phase 1 of the implementation of QL. Training will continue with further improvements to the system.
 - 85% of staff feel they have the right tools to do their job
 - 96% of staff feel they have sufficient support and training for their role
- 3. Consider registration as a Living Wage accredited employer** - Soha is registered as a Living Wage accredited employer.
- 4. Produce a Skills Fit for the Future framework - ensuring staff continue to have the right skills and develop their learning ethos** - This work has not yet started, but will be developed in 2018-19.

Aim 5. Have sustainable financial strength and independence

We continue to create a sustainable future for Soha as an independent, well governed organisation by continuing to build financial strength and growing our autonomy. Progress half way through our two year objectives is shown below:

- 1. Take part in the sector pilot of efficiency measures and play an active part in developing measures.** (Y1) Soha took part in the Sector Scorecard pilot. Some of the measures have been adopted for the RSH VfM standard and Soha's Board has agreed other key measures. These are monitored through the management report.
- 2. Continue to develop a strong reputation based on our vision and values** We had good engagement with stakeholders through our 20th birthday event. Local sponsorship of events such as the BACAs and the Barton Bash continues to develop a strong community presence. Soha's local and national media presence is positive.
- 3. Map and extend the range and quality of partnerships to stretch and improve our services** - This work will be undertaken in 2018-19

C - Development and performance during the financial year and financial position at the year end

Soha's Board, Senior Management Team, staff and involved tenants are continually seeking to improve customer service and increase the provision and quality of housing. Some of this year's successes and significant achievements are:

- Excellent results from our *STAR* survey, with excellent overall satisfaction maintained at 91% and consistently high results across all service areas;
- Excellent year end delivery measures across all service areas;
- Good progress on delivering our Corporate Objectives, with strong leadership from the Board in setting the strategic direction through their Corporate Plan;
- A continued positive national reputation for resident involvement, creating real value at Soha and now supported by a structure of tenant membership; and

Soha Housing Limited

Strategic report for the year ended 31 March 2018

- A strong approach to excellent customer services. Soha again retained the Customer Services Excellence award this year and was shortlisted for a Customer Call Centre Award.

Soha's growth is good, with 185 new homes developed with little grant funding. These homes fit with Soha's strategy of local management and have been built within an hour's drive of our head office in Didcot.

While disposals through Right to Buy and Right to Acquire continue to be very low, our sheltered strategy saw another scheme closed and demolished ahead of re-building, so overall units in management increased from 6,619 to 6,721.

During the year 41 shared ownership properties were sold adding £6.9m (2017: £7.3m) to turnover and cross-subsidising the continuing development programme. Both the number of properties sold and the average value achieved was ahead of expectation.

Soha continues to meet the Decent Homes Standard with all of our properties meeting the standard at 31 March 2018. An enhanced standard "Decent Homes Plus", developed in consultation with tenants, applies an aspirational standard to individual components. This is implemented through our normal planned maintenance programme.

The Asset Management Strategy places a strong emphasis on demand and sustainability, energy efficiency, tenant involvement and Value for Money. Total spend on planned and major repairs and cyclical maintenance in the year was £6.9m (2017: £6.9m).

At 31 March 2018, there were 112 (2017: 24) empty properties, of which 75 are out of service pending redevelopment. 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.

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Strategic report for the year ended 31 March 2018

Financial position at the year end

Soha's financial results for the year are set out on pages 27 to 67 following this report.

The table below shows the key financial indicators over the last five years.

	2013/14	2014/15*	2015/16	2016/17 (restated)	2017/18
Properties managed **	5,702	5,959	6,204	6,322	6,419
Properties managed growth (%)	5%	5%	4%	2%	2%
Turnover (£000s)	44,021	46,306	47,026	45,568	45,368
Growth in turnover (%)	21%	5%	2%	(3)%	0%
Operating surplus (£000's)	18,966	20,186	21,235	20,959	18,535
Operating Margin	43.08%	43.59%	45.16%	45.99%	40.9%
Surplus before taxation (£000s)	11,828	12,886	19,366	14,263	10,648

* 2014/15 restated for FRS102

** Social housing properties only

Consolidated statement of comprehensive income

	2018	2017 (restated)	Movement
	£'000	£'000	£'000
Turnover	45,368	45,568	(200)
Cost of sales	(4,680)	(4,660)	(20)
Operating costs	(22,153)	(19,949)	(2,204)
Operating surplus	18,535	20,959	(2,424)
Movements in fair value	341	1,068	(727)
Surplus on disposal of fixed assets	1,600	1,765	(165)
Interest receivable and similar	124	177	(53)
Interest payable	(9,952)	(9,706)	(246)
Surplus before taxation for the financial year	10,648	14,263	(3,809)

Soha made a surplus for the year of £10.65m (2017: £14.3m), £2.6m of which is from first tranche sales of shared ownership properties (2017: £3.0m). The overall surplus is after deducting property and component depreciation of £6.7m (2017: £4.5m).

Soha Housing Limited

Strategic report for the year ended 31 March 2018

Key elements of the results are:

- Turnover from social housing lettings increased by £0.8m despite the 1% rent reduction in April 2016, reflecting the impact of the additional units available for letting through the completion of development projects;
- The level of sales of low cost home ownership properties for the year was excellent with 40 sales generating a turnover of £6.9 (2017: £7.3m);
- Operating costs of £22.2m reflect a higher depreciation charge as a result of the changes in the accounting estimate. Responsive repairs came in under budget
- Surplus on disposal of fixed assets includes the stair-casing sales of 31 properties, of which 21 were to 100%, (2017: 24 stair-casing sales, of which 16 were to 100%), and other strategic asset management disposals, such as high value, high void cost properties;
- Interest payable remained low reflecting continued low interest rates and good treasury management.

Balance Sheet

	2018	2017 (Restated)
	£'000	£'000
Tangible fixed assets - housing properties	519,929	498,335
Tangible fixed assets - other	2,627	2,354
Investment properties	1,557	2,777
Investments : homebuy loans	967	1,104
Net current assets	21,559	34,537
	546,639	539,107
Creditors: amounts falling due after more than one year	(272,458)	(275,479)
	274,181	263,628
Capital and reserves		
Income and expenditure reserve	111,740	100,795
Revaluation reserve	162,441	162,833
	274,181	263,628

At 31 March 2018, Soha's balance sheet showed total assets less current liabilities of £546.6m (2017: £539.1m) - an increase of £2.6m compared with the position at 31 March 2017. The main points are as follows:

- The carrying value of Soha's properties at 31 March 2018 was £519.9m (2017: £498.3m). As properties are held at deemed cost, the increase is a result of additional units;
- Expenditure on development schemes (including low cost homeownership) was £34.5m
- At 31 March 2018, Soha's net current assets amounted to £21.6m (2017: £34.5m), with £12.8m decrease (2017: £897k increase) in the cash balance;
- Creditors: amounts falling and due after more than one year is mainly the drawn down loan finance. However under FRS102, it now also includes deferred capital grant of £51.3m (2017: £51.1m) and £2.2m (2017: £2.6m) of pension liability.

Soha Housing Limited

Strategic report for the year ended 31 March 2018

Despite only building 185 new units compared to a target of 250, the financial results from the year have out-performed budget and our long term Business Plan and the Board considers them to be excellent and has concluded 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's treasury policy was approved by the board on 19 July 2018 with input from its treasury consultant to ensure best 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.

Soha has three loan facilities in place with outstanding balances totalling £166m with three different funders, a longstanding facility with Dexia Public Finance Bank for £131m, a facility with Barclays Bank Plc for £20m and a facility with South Oxfordshire District Council for £15m. In addition, Soha has a note purchase agreement with M&G Investment Management Ltd for £80m for 40 years.

Details of the loan facilities are:

Dexia Public Finance Bank Plc: Current balance of £131 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. As at 31 March 2018 £110m of the debt had been drawn down and £4m of the original £135m had been repaid;

Barclays: £20 million until September 2040, none of which is revolving and has to be repaid on a gradual basis over the length of the loan commencing in 2020. As at 31 March 2018 the entire facility had been drawn down;

SODC: £15 million until March 2034 and has to be repaid in one amount on the final repayment date. Interest is payable quarterly at a fixed rate over the life of the loan. As at 31 March 2018 the loan was fully drawn down;

M&G: £40m issued in 2012 is repayable over 30 years from November 2022. £40m issued in 2014 is repayable over 30 years from April 2025.

Soha Housing Limited

Strategic report for the year ended 31 March 2018

The profile of the total debts is as follows:

	£m
Tranches at fixed rates:	
due to mature in under 5 years	30.0
in 5-10 years	10.0
In 10-15 years	10.0
in 15-20 years	15.0
in 30-35 years	40.0
in 35-40 years	40.0
Tranches at fixed rates cancellable at bank's option:	
due to mature in 15-20 years	35.0
in 20-25 years	15.0
Tranches at variable rates (1 or 3 month LIBOR)	26.0
Total loans drawdown at 31 March 2018	221.0

Fixed rates vary from 2.82% to 5.41% (excluding margin). Cancellable options can be exercised quarterly and annually. The next date, after the year end, that these options can be exercised is June 2017. As interest rates have remained low the cancellation is unlikely to be exercised by the bank in the near future.

D - Future prospects

Soha's Corporate Plan articulates the practical delivery of the Vision and Aims set by the Board. It echoes our Approach to Excellence which says 'The definition of excellence will be personal and changing. This is why we nail our colours to the mast that it must be primarily from the tenant's point of view'. The Corporate Plan was established following a review of the external operating environment and Soha's strengths and areas for development.

The change of Soha's Rules to open membership to tenants puts us in a strong position, with the right structure to underpin our ethos and culture.

Overall we are in a strong position to continue defining our vision and values and to continue to have financial strength and independence.

E - Principal risks and uncertainties

The Board has overall responsibility for the management of risk within Soha. To carry out this responsibility effectively, the Board has ensured that a robust control framework is in place so they have a sufficient understanding of the key risks. The Directors have a responsibility to implement the risk strategy, carry out a periodic review of risk management procedures and report as required to the Board.

Soha Housing Limited

Strategic report for the year ended 31 March 2018

In the Soha Risk Register, individual risks are categorised and grouped into 21 key areas. Each risk area is assigned to a Director, Senior Manager, and Board member portfolio holder. The Senior Management Team's role is to report on emerging risks and ensure that risk is embedded across the business, with a focus on ensuring control actions are in place and monitored.

The Board has identified ten principle risks, which are:

1. **External operating environment.** This includes Government policy changes including the voluntary RTB and the longer term rent setting policy. Soha has tested various scenarios in the business plan and has concluded that because it is financially strong, viability is not threatened.
2. **IT Systems Failure.** At Soha, we use a commercial system for two core business areas; housing management and repairs & maintenance. To supplement the commercial applications we had a selection of in-house bespoke spreadsheets and databases. Soha is ensuring that all the bespoke data sources and systems are captured within the functionality of one commercial housing association system. A system has been procured and Soha is currently in the middle of implementation which is expected to complete during 2019.
3. **Financial compliance** includes lenders covenants in addition to internal financial regulations and controls. Soha has control systems in place to ensure the covenant compliance is monitored systematically as part of the reporting framework.
4. **Treasury management** risk includes cash flow management which is essential in a developing organisation. Soha continues to produce a rolling 36 month cash flow forecast that is reviewed by the Directors and reported to the Board. It also includes re-financing risk. As a developing association Soha ensures that loan finance is in place ahead of requirement. The Board has a prudent view and its policy is that Soha will not enter into development contracts without having sufficient cash or loan finance in place. Soha has an active rolling property charging process in place to ensure that loan finance can be drawn down ahead of requirement.
5. **Governance risk** is mainly seen as a lack of skills (individually or collectively), lack of succession planning and inappropriate behaviours. This is mitigated by adherence to the NHF codes on governance and conduct, annual appraisals for individuals, mapping of collective skills, a training plan and an external review of governance every three years.
6. **Welfare reform** is a key strategic risk facing all housing associations. At Soha we have a Welfare Reform Working Group in place, which is cross departmental. We also have a dedicated officer who will take the lead on the small scale direct payment pilot. The Board receive regular updates on welfare reform.
7. **Asset Management Strategy failure** is a key risk for all housing associations. Soha's controls include an Asset Management Strategy set by Board, a high level of stock data which now sits within our main business system, targeted projects around managing properties which are not fit for purpose (e.g. improving SAP rating).
8. **Regulatory** The risk of breaching regulatory Economic or Consumer standards is important to the delivery of Soha's corporate strategy because they set out the basics of a decent service to tenants and of the financial viability Soha needs to thrive. Board reviews regulatory compliance as a whole annually and receives assurance throughout the year from Tenant Audit and Scrutiny Reports and from Internal Audit.
9. **Health and Safety** for tenants, staff and visitors is a key risk for all housing providers. Soha has a framework of policies, independent checks and reporting at management and Board level.
10. **Systems Security** is around maintaining adequate measures to prevent unauthorised access to and use of data. These measures are technological and behavioural.

Soha Housing Limited

Strategic report for the year ended 31 March 2018

F - Financial and non-financial key performance indicators

Performance is managed using key performance indicators (“KPIs”). 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 below, but there is also focus on:

1. HCA governance and financial regulatory assessments;
2. Consumer standards;
3. Meeting loan covenants;
4. Average repair cost and average empty property turnaround cost;
5. Customer Service quality and response times.

The table below shows actual performance for 2017/18 against target and last year for a selection of the Association’s key performance indicators:

Indicator	Actual 2017/18	Target 2017/18	Actual 2016/17
Average time to complete all repairs	7.7 days	8.0 days	8.5 days
Gas services carried out within 12 months	100%	100%	100%
Average re-let times	22 days	18 days	16 days
Void loss	0.57%	0.60%	0.46%
Current tenant arrears (gross)	2.5%	2.0%	1.9%
Governance Rating	G1	G1	G1
VR Rating	V1	V1	V1
Interest cover	1.93	1.50	1.83
Value of property units unsold after 6 months	550K	0	0
Satisfaction with overall service	91%	90%	92%
Satisfaction with repairs	82%	86%	87%
Satisfaction with overall quality of home	90%	90%	92%
Satisfaction we listen to their views and act on them	79%	81%	82%

G - Governance

The National Housing Federation produces a Code of Governance which was reviewed in 2015. 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 and this was confirmed through the external review by HQN and reconfirmed in June 2017 by the Board.

During the year, Soha took the considered decision to update its Rules and Standing Orders to allow tenant shareholding membership and to strengthen the structures that underpin the company ethos of partnership and accountability.

Soha’s Board comprises 12 people: 4 tenant members, 6 members of the wider community, 1 co-optee (who is currently a tenant) and the Chief Executive. Board membership reflects a wide cross-section of

Soha Housing Limited

Strategic report for the year ended 31 March 2018

tenant, professional, commercial and public sector interests. 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 11 to the accounts.

A Trainee Board member scheme and ILM training has encouraged interest in Board membership from a younger tenant group and will lead to a more diverse Board.

There are two formal committees; Audit & Risk and Personnel as well as a separately constituted Tenants' Forum which reviews operating performance and comments on policies. This takes the role of Members' Panel, as required by Soha's Rules. During the year a Membership Commission has developed proposals for a new Members' Forum, due to be developed in 2018-19. From time to time the Board establishes task and finish groups or ad hoc committees. Currently, a Development Capacity Group meets to focus on Soha's capacity for development.

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 regularly with the Directors and senior managers. Soha approved a new Code of Conduct in 2017, which follows the NHF 'Conduct Becoming' and the standards of conduct issued by the National Housing Federation.

The Board and Executive Officers are listed on page 1. Peter Haynes was co-opted once again to the Board in September 2016.

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.

H - Approval

This Strategic Report was approved by order of the Board on 12 September 2018.

VICTOR BREACH
Chair

Soha Housing Limited

Independent auditor's report for the year ending 31 March 2018

We have audited the financial statements of Soha Housing Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated and Association statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the consolidated financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the board of management and the Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Soha Housing Limited

Independent auditor's report for the year ending 31 March 2018

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 12, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Gatwick
[Date]

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Soha Housing Limited

Consolidated and Association statements of comprehensive income for the year ended 31 March 2018

	Note	Group		Association	
		2018 £'000	2017 (Restated) £'000	2018 £'000	2017 £'000
Turnover	4	45,368	45,568	45,368	45,568
Cost of sales	4	(4,680)	(4,660)	(4,680)	(4,660)
Operating costs	4	(22,153)	(19,949)	(22,135)	(19,932)
Operating surplus	4,8	18,535	20,959	18,553	20,976
Movement in fair value of investment properties	18	358	1,030	358	1,030
Movement in fair value of Homebuy Loans	19	(17)	38	(17)	38
Surplus on disposal of fixed assets	12	1,600	1,765	1,350	1,765
Other interest receivable and similar income	13	124	177	175	228
Interest and financing costs	14	(9,952)	(9,706)	(9,952)	(9,706)
Surplus before taxation		10,648	14,263	10,467	14,331
Taxation on surplus	15	(95)	(133)	(95)	(133)
Surplus		10,553	14,130	10,372	14,198
Total comprehensive income for year		10,553	14,130	10,372	14,198

The notes on pages 33 to 67 form part of these financial statements.

All activities relate to continuing operations.

Soha Housing Limited

Consolidated and Association balance sheets at 31 March 2018

	Note	Group 2018 £'000	2017 (Restated) £'000	Association 2018 £'000	2017 (Restated) £'000
Fixed assets					
Tangible fixed assets - housing properties	16	519,929	498,335	519,929	498,335
Tangible fixed assets - other	17	2,627	2,354	2,627	2,354
Investment properties	18	1,557	2,777	1,557	2,777
Investments : homebuy loans	19	967	1,104	967	1,104
		525,080	504,570	525,080	504,570
Current assets					
Stocks	21	6,049	3,240	5,256	2,951
Debtors - receivable within one year	22	2,630	2,664	2,662	2,668
Debtors - receivable after one year	22	-	-	860	860
Cash and cash equivalents		29,467	42,231	29,142	41,654
		38,146	48,135	37,920	48,133
Creditors: amounts falling due within one year	23	(16,587)	(13,598)	(16,474)	(13,528)
Net current assets		21,559	34,537	21,446	34,605
Total assets less current liabilities		546,639	539,107	546,526	539,175
Creditors: amounts falling due after more than one year	24	(272,458)	(275,479)	(272,458)	(275,479)
Net assets		274,181	263,628	274,068	263,696
Capital and reserves					
Income and expenditure reserve		111,740	100,795	111,930	101,000
Revaluation reserve		162,441	162,833	162,138	162,696
		274,181	263,628	274,068	263,696

The financial statements were approved by the Board of Directors and authorised for issue on 12 September 2018.

VICTOR BREACH
Chair

LUCY WESTON
Board Member

KATE WAREING
Secretary

The notes on pages 33 to 67 form part of these financial statements.

Soha Housing Limited

Consolidated and Association Statement of changes in reserves for the year ended 31 March 2018

	Group			Association		
	Income and expenditure reserve	Revaluation reserve	Total	Income and expenditure reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at April 2017	100,795	162,833	263,628	101,000	162,696	263,696
Surplus for the year	10,553	-	10,553	10,372	-	10,372
Reserves Transfers:						
Transfer from revaluation reserve to income and expenditure reserve	392	(392)	-	558	(558)	-
Balance at 31 March 2018	111,740	162,441	274,181	111,930	162,138	274,068

The notes on pages 33 to 67 form part of these financial statements.

Soha Housing Limited

Statement of changes in reserves for the year ended 31 March 2017 (restated)

	Group			Association		
	Income and expenditure reserve	Revaluation reserve	Total	Income and expenditure reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at April 2016	85,116	164,382	249,498	85,116	164,382	249,498
Surplus for the year	14,130	-	14,130	14,198	-	14,198
Reserves Transfers:						
Transfer from revaluation reserve to income and expenditure reserve	1,549	(1,549)	-	1,686	(1,686)	-
Balance at 31 March 2017	100,795	162,833	263,628	101,000	162,696	263,696

The notes on pages 33 to 67 form part of these financial statements.

Soha Housing Limited

Consolidated and Association statement of cash flows for the year ended 31 March 2018

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash flows from operating activities					
Surplus for the financial year		10,553	14,130	10,372	14,198
Adjustments for:					
Depreciation of fixed assets - housing properties	16	6,724	4,504	6,724	4,504
Depreciation of fixed assets - other	17	309	274	309	274
Amortised grant	5	(572)	(562)	(572)	(562)
Net fair value gains recognised in profit or loss		(341)	(1,068)	(341)	(1,068)
Interest payable and finance costs	13	9,952	9,706	9,952	9,706
Interest receivable	14	(124)	(177)	(175)	(228)
Taxation expense		95	133	95	133
Difference between net pension expense and cash contribution		(428)	(293)	(428)	(293)
Surplus on the sale of fixed assets - housing properties	12	(1,814)	(2,007)	(1,564)	(2,007)
Loss on the sale of fixed assets - other		214	242	214	242
Decrease / (increase) in trade and other debtors		1	(943)	30	(875)
Decrease in stocks		(2,808)	198	(2,305)	350
Increase / (Decrease) in creditors		(668)	(255)	(1,114)	(463)
Cash from operations		21,093	23,882	21,197	23,911
Taxation paid		(133)	-	(133)	-
Net cash generated from operating activities		20,960	23,882	21,064	23,911
Cash flows from investing activities					
Proceeds from sale of fixed assets - housing properties	12	6,130	10,773	6,226	10,943
Purchase of fixed assets - housing properties	16	(25,709)	(18,926)	(25,709)	(18,756)
Purchase of fixed assets - other	17	(593)	(380)	(593)	(380)
Investments		120	7	120	7
Replacement of property components	16	(2,897)	(3,729)	(2,897)	(3,729)
Receipt of grant	25	928	933	928	933
Interest received	13	158	175	210	226
Net cash from investing activities		(21,863)	(11,147)	(21,715)	(10,756)
Cash flows from financing activities					
Interest paid	13	(9,708)	(9,836)	(9,708)	(9,836)
New loans - bank	30	-	-	-	-
New loans - other	30	-	-	-	-
Debt issue costs incurred	30	(30)	-	(30)	-
Repayment of loans - bank	30	(2,123)	(2,002)	(2,123)	(2,002)
Repayment of loans - other	30	-	-	-	-
Net cash used in financing activities		(11,861)	(11,838)	(11,861)	(11,838)
Net increase in cash and cash equivalents		(12,764)	897	(12,512)	1,317
Cash and cash equivalents at beginning of year		42,231	41,334	41,654	40,337
Cash and cash equivalents at end of year		29,467	42,231	29,142	41,654

The notes on pages 33 to 67 form part of these financial statements.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

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Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

1 Legal status

The 'Group' consists of Soha Housing Limited ('the association') and SIB Property Ltd.

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider. The association is a public benefit entity.

2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice), which for Soha Housing Limited includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Soha Housing Limited and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Income

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties that are available for letting)
- First tranche sales of Low Cost Home Ownership housing properties and sales of properties developed for outright sale
- Service charges receivable
- Proceeds from the sale of fixed asset land and property

Rental income is recognised from the point when properties under development reach practical completion and are formally let; income from first tranche sales and sales of properties built for sale and investment property are recognised at the point of legal completion of the sale.

Service charges

The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded based on the estimated amounts chargeable.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Pension costs

The association participates in the Social Housing Pension Scheme (SHPS). The Pension Trust, who administer the scheme, have confirmed that it is not possible to identify the underlying assets and liabilities belonging to individual employers on a consistent and reasonable basis. As a result the amount charged to operating expenditure represents the contributions payable to the scheme in the accounting period.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Pension costs (continued)

The scheme is in deficit and the association has agreed to a deficit funding arrangement and recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement. The present value is calculated using the discount rate detailed in note 30. The unwinding of the discount rate is recognised as a finance cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Tangible fixed assets - Housing Properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within PPE and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Completed housing properties acquired from subsidiaries are valued at existing use value for social housing at the date of acquisition.

Deemed cost on transition to FRS 102

On transition to FRS 102 the Group took the option of carrying out a one-off valuation exercise of selected items of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged independent valuation specialist Savills to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation.

Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Main structure	100
Pitched Roof	70
Kitchen	20
Bathroom	30
External doors	25
External windows	25
Gas heating	15
Electric heating	25
Individual or communal boilers	15
Communal lifts	30
Solar panels	30

Student property components are recognised as part of investment properties and therefore accounted for in accordance with the policy relating to investment property.

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Low cost home ownership and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost and any provision for impairment. Sales of subsequent

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Low cost home ownership and staircasing (continued)

tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For low cost home ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and shared ownership developments

On mixed tenure schemes costs are allocated based on the tenure split per unit.

Tangible fixed assets - Other

Other tangible fixed assets, other than investment properties, are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold office improvements	10
Office furniture and equipment	Range varies between 3 to 5
Computer equipment	3
Scheme equipment	5
Vehicles	3

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales made prior to April 2017 are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Investment properties

Investment properties consist of commercial and student properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

Stock

Stock represents work in progress and completed properties, including properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as basic financial instruments as they meet the criteria set out in FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. However the Group has calculated that the difference between the historic cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historic cost. Loans and investments that are payable or receivable within one year are not discounted.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

2 Accounting policies (*continued*)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet consist of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Leased assets: Lessee

All leases are operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on and only crystallised on the disposal of related property.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

The revaluation reserve was created from surpluses on asset revaluation on transition to FRS102.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018

3 Judgements in applying accounting policies and key sources of estimation uncertainty (*continued*)

- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 16 and 17)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as current condition and demand are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

During the year ending 31 March 2018 a review was undertaken to align the useful economic life of the components to the current asset management strategy. The key change was to the gas heating system where the UEL was reduced from 25 to 15 years. For the year ending 31 March 2018, we incurred a £1.7m higher depreciation charge. The net book value as at 31 March 2018 is spread over the revised remaining life.

- *Investments (see notes 18 and 19)*

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through profit and loss. In determining this amount, the Group follows the concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

- *Rental and other trade receivables (debtors) (see note 22)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

4 Particulars of turnover, cost of sales, operating costs and operating surplus - Group

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	37,016	-	(21,435)	15,581
Other Social Housing Activities				
First tranche low cost home ownership sales	6,926	(4,358)	-	2,568
Development administration	-	-	(606)	(606)
Leasehold services	172	-	(90)	82
Other	68	(30)	-	38
	44,182	(4,388)	(22,131)	17,663
Activities other than Social Housing Activities				
Market sales	790	(292)	-	498
Lettings (Note 6)	344	-	(9)	335
Other	52	-	(13)	39
	1,186	(292)	(22)	872
	45,368	(4,680)	(22,153)	18,535
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017	2017
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	36,207	-	(18,481)	17,726
Other Social Housing Activities				
First tranche low cost home ownership sales	7,300	(4,252)	-	3,048
Development administration	-	-	(576)	(576)
Leasehold services	151	-	(82)	69
Other	79	(19)	(539)	(479)
	43,737	(4,271)	(19,678)	19,788
Activities other than Social Housing Activities				
Market sales	1,055	(389)	-	666
Lettings (Note 6)	511	-	(49)	462
Other	265	-	(222)	43
	1,831	(389)	(271)	1,171
	45,568	(4,660)	(19,949)	20,959

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

4 Particulars of turnover, cost of sales, operating costs and operating surplus - Association

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	37,016	-	(21,435)	15,581
Other Social Housing Activities				
First tranche low cost home ownership sales	6,926	(4,358)	-	2,568
Development administration	-	-	(606)	(606)
Leasehold services	172	-	(90)	82
Other	68	(30)	-	38
	44,182	(4,388)	(22,131)	17,663
Activities other than Social Housing Activities				
Market sales	790	(292)	-	498
Lettings (Note 6)	344	-	(9)	335
Other	52	-	5	57
	1,186	(292)	(4)	890
	45,368	(4,680)	(22,135)	18,553
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017	2017
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	36,207	-	(18,481)	17,726
Other Social Housing Activities				
First tranche low cost home ownership sales	7,300	(4,252)	-	3,048
Development administration	-	-	(1,114)	(1,114)
Leasehold services	151	-	(82)	69
Other	79	(19)	-	60
	43,737	(4,271)	(19,677)	19,789
Activities other than Social Housing Activities				
Market sales	1,055	(389)	-	666
Lettings (Note 6)	511	-	(49)	462
Other	265	-	(206)	59
	1,831	(389)	(255)	1,187
	45,568	(4,660)	(19,932)	20,976

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

5 Income and expenditure from social housing lettings - Group and Association

GROUP & ASSOCIATION	General needs £'000	Supported housing £'000	Low cost home ownership £'000	Key worker £'000	Total 2018 £'000	Total 2017 £'000
Income						
Rents net of identifiable service charges	32,617	609	1,960	228	35,414	34,752
Service charge income	763	7	258	2	1,030	893
Amortised government grants	526	10	32	4	572	562
Turnover from social housing lettings	33,906	626	2,250	234	37,016	36,207
Expenditure						
Management	(2,708)	(51)	(45)	(7)	(2,811)	(2,649)
Service charge costs	(1,447)	(35)	(225)	(5)	(1,712)	(1,507)
Routine maintenance	(4,971)	(93)	(294)	(34)	(5,392)	(5,595)
Planned maintenance	(4,263)	(80)	(256)	(30)	(4,629)	(4,036)
Bad debts	(111)	(59)	3	-	(167)	(190)
Depreciation of housing properties:	(6,204)	(148)	(317)	(55)	(6,724)	(4,504)
Operating expenditure on social housing lettings	(19,704)	(466)	(1,134)	(131)	(21,435)	(18,481)
Operating surplus on social housing lettings	14,202	160	1,116	103	15,581	17,726
Void losses	(188)	(12)	-	(5)	(190)	(152)

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

6 Particulars of turnover from non-social housing lettings - Group and Association

	2018	2017
	£'000	£'000
Market rent	5	19
Student accommodation	-	164
Garages	339	328
	344	511

7 Units of housing stock - Group and Association

	Group		Association	
	2018	2017	2018	2017
	Number	Number	Number	Number
General needs housing:				
social	5,075	5,132	5,075	5,132
affordable	587	465	587	465
Supported housing				
social	47	56	47	56
affordable	56	55	56	55
Low cost home ownership	625	580	625	580
Keyworker accommodation				
keyworker	19	24	19	24
intermediate rent	10	10	10	10
Total social housing units	6,419	6,322	6,419	6,322
Shared equity	14	14	14	14
Total owned	6,433	6,336	6,433	6,336
Leasehold	288	283	288	283
Total managed accommodation	6,721	6,619	6,721	6,619
Units managed by other associations	6	6	6	6
Total owned and managed accommodation	6,727	6,625	6,727	6,625
Units under construction	486	274	486	274

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

8 Operating surplus

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:	6,724	4,504	5,056	4,504
Accelerated depreciation on component disposals	202	224	202	224
Depreciation of other tangible fixed assets	309	274	309	274
Operating lease charges - land & building	22	23	22	23
Operating lease charges - other	1	10	1	10
Leasing income	3,391	3,339	3,391	3,339
External Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	32	37	28	37
- under accrual in respect of prior year audit fees	(2)	2	(2)	2
- fees for tax computations	4	7	1	7
- fees for tax advice	2	5	2	5
- fees for other non-audit services	-	39	-	39
Internal Auditors' remuneration	30	37	30	37
Defined contribution pension cost	100	88	100	88
Defined benefit pension cost	165	185	165	185

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

9 Employees - Group and Association

	2018	2017
	£'000	£'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	3,718	3,798
Social security costs	401	395
Employer pension contributions	265	276
	4,384	4,469
Defined benefit scheme revaluation and remeasurement (note 30)	(36)	85
	4,348	4,554

The above amounts do not include £392k (2017: £377k) paid to the defined benefit scheme in respect of past service deficit contributions.

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	2018	2017
	No.	No.
Office	25	25
Housing Management	47	55
Development, planned maintenance and responsive repairs	28	31
	100	111

10 Directors' and senior executive remuneration - Group and Association

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 1.

	2018	2017
	£'000	£'000
Executive directors' emoluments	465	463
Amounts paid to non-executive directors	55	51
Contribution to pension scheme	35	35
	555	549

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £144,275 (2017 - £143,147).

As a member of the SHPS defined benefit pension scheme, the pension entitlement of the Chief Executive is identical to those of other members.

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards including taxable benefits but excluding employer pension contributions, was:

	2018	2017
	No.	No.
£60,000 - £69,999	4	4
£70,000 - £79,999	-	1
£90,000 - £99,999	1	1
£100,000 - £109,999	1	1
£110,000 - £119,999	1	1
£140,000 - £149,000	1	1

11 Board members - Group and Association

Board member	Remuneration £	Member of:	
		Audit & Risk Committee	Personnel Committee
Valerie Kir	3,956		
Valerie Austin	2,616		x
Nasreen Al-Hamdani	3,956		
Victor Breach	9,996		x
Nicola Mellings	4,958		x
Peter Haynes	3,956		
Harjit Sandhu	5,796	x	
Timothy Bolton	3,956	x	
Lucy Weston	7,636		x
Jennifer Ekelund	3,956		x
Hayley Smith (trainee member)	750		
Luke Corrigan (trainee member)	750		
Peter Nkum (trainee member)	750		
Don Harrison	-	x	
David Mody	2,176	x	

Total expenses reimbursed to Board members £4,890 (2017: £4,395)

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

12 Surplus on disposal of fixed assets - Group and Association

Group	Shared ownership staircasing	Other housing properties	Other tangible fixed assets	Total	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2017 £'000
Housing Properties:					
Disposal proceeds	2,984	3,146	-	6,130	10,773
Cost of disposals	(1,427)	(2,772)	(214)	(4,413)	(8,540)
Selling costs	(53)	(53)	-	(106)	(65)
Grant recycled	(11)	-	-	(11)	(403)
Surplus on disposal	1,493	321	(214)	1,600	1,765

Association	Shared ownership staircasing	Other housing properties	Other tangible fixed assets	Total	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2017 £'000
Housing Properties:					
Disposal proceeds	2,984	3,242	-	6,226	10,943
Cost of disposals	(1,427)	(3,118)	(214)	(4,759)	(8,710)
Selling costs	(53)	(53)	-	(106)	(65)
Grant recycled	(11)	-	-	(11)	(403)
Surplus on disposal	1,493	71	(214)	1,350	1,765

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

13 Interest receivable and income from investments - Group and Association

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable from group undertakings	-	-	51	51
Interest receivable and similar income	124	177	124	177
	124	177	175	228

14 Interest payable and similar charges - Group and Association

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	9,912	9,642	9,912	9,642
Recycled capital grant fund	1	1	1	1
Disposal proceeds fund	2	1	2	1
Unwinding of discount in respect of defined pension liability	37	62	37	62
	9,952	9,706	9,952	9,706

15 Taxation on surplus on ordinary activities

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on surplus for the year	95	133	95	133
Total current tax	95	133	95	133
<i>Deferred tax</i>				
Origination and reversal of timing differences	-	-	-	-
Changes to tax rates	-	-	-	-
	-	-	-	-
Taxation on surplus on ordinary activities	-	-	-	-

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus on ordinary activities before tax	10,648	14,263	10,467	14,331
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 20%)	2,023	2,852	1,988	2,866
Effects of:				
Charitable not subject to tax	(1,928)	(2,719)	(1,893)	(2,733)
Tax on non-charitable activity	-	-	-	-
Adjustment to tax charge in respect of previous periods	-	-	-	-
Total tax charge for period	95	133	95	133

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £94,650 (2017: £133,180).

Factors that may affect future tax charges

The group has some tax losses arising which will be carried forward to future years.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

16 Tangible fixed assets - Housing properties - Group and Association						
Group and Association	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Keyworker/INT accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost:</i>						
At 1 April 2017	473,747	13,335	37,181	2,076	2,834	529,173
Additions: - construction costs	-	22,348	-	5,733	-	28,081
- replaced components	3,285	-	-	-	-	3,285
Completed schemes	16,848	(16,848)	5,614	(5,614)	-	-
Transfer between classifications	118	-	-	-	(118)	-
Transfer to properties held for sale	-	-	-	(1,200)	-	(1,200)
Transfer to investment properties	(19)	-	-	-	-	(19)
Transfer of land for redevelopment	(1,846)	1,846	-	-	-	-
Disposals: - stair-casing sales properties	-	-	(1,498)	-	-	(1,498)
- RTB property sales	(360)	-	-	-	-	(360)
- replaced components	(426)	-	-	-	-	(426)
At 31 March 2018	491,347	20,681	41,297	995	2,716	557,036
<i>Depreciation:</i>						
At 1 April 2017	(28,998)	-	(1,493)	-	(347)	(30,838)
Charge for the year	(6,359)	-	(310)	-	(55)	(6,724)
Eliminated on disposals:						
- property sales and transfers	144	-	70	-	16	230
- replaced components	225	-	-	-	-	225
At 31 March 2018	(34,988)	-	(1,733)	-	(386)	(37,107)
Net book value at 31 March 2018	456,359	20,681	39,564	995	2,330	519,929
Net book value at 31 March 2017	444,749	13,335	35,688	2,076	2,487	498,335

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

16 Tangible fixed assets - Housing properties - Group and Association (continued)

	2018 £'000	2017 £'000
The net book value of housing properties may be further analysed as:		
Freehold	509,236	494,803
Long leasehold	10,391	3,222
Short leasehold	302	310
	519,929	498,335

If housing property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £'000	2017 £'000
Historic cost	327,800	322,093
Accumulated depreciation	(37,107)	(30,838)
	290,693	291,255

	2018 £'000	2017 £'000
Works to properties		
Improvements to existing properties capitalised	3,285	3,811
Major repairs expenditure to income and expenditure account	2,380	2,080
	5,665	5,891

Total Social Housing Grant received or receivable to date is as follows:

	2018 £'000	2017 £'000
Capital grant - Housing Properties	51,854	51,614
Recycled Capital Grant Fund	447	289
Disposal Proceeds Fund	579	577
Revenue Grant - reserves	5,250	4,688
Revenue grant - I&E	561	562
	58,691	57,730

Housing properties were revalued at 31 March 2018 on an EUV-SH basis for lender purposes, with a value of:

	£'000
Valuation (at 31 March 2018)	574,797

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

16 Tangible fixed assets - Housing properties - Group and Association (continued)

Impairment

The group considers an individual property to represent a cash generating unit (CGU) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.

Deemed cost

On transition to FRS102, Soha Housing Limited took the option of carrying out a one off valuation on a number of its housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged Savills to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis at 31 March 2016. The 31 March 2015 valuation was reduced by 3.7% to arrive at the 1 April 2014 deemed cost. Housing properties are subsequently measured at cost.

This valuation was undertaken by Savills Housing and Healthcare Division, a 100-strong team established for over 20 years and widely recognised as one of the leading teams of specialist valuers and property advisors in the social housing sector. They act for over 300 Registered Providers, all existing lenders, lawyers and rating agencies in the sector (without exception), and have driven a high proportion of Statutory Accounts valuations (for commensurate “G15” and national organisations), Bond Issuances (and their revaluations) and a cross section of land/consultancy projects.

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cash flows. The property portfolio was grouped by a number of key parameters to determine the valuation including:

- Location
- Spread
- Usage categories
- Age
- Construction
- Property Type
- Tenure Type
- Rental streams less key deductions for expected maintenance and management costs

The resultant cash flow was calculated over perpetuity with the net income in the final year capitalised into perpetuity with an assumption of 1.0% real rent increase per annum with a discount rate of 4.75% real.

Securitised housing assets

As security for the loans (note 24), there is a fixed charge over 4,392 units (2017: 4,421) with a net book value of £321 (2017: £326m).

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

17 Other tangible fixed assets - Group and Association

Group and Association	Office buildings £'000	Vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 April 2017	1,815	107	4,131	6,053
Additions	-	-	593	593
Disposals	-	-	(1,037)	(1,037)
Revaluations	-	-	-	-
At 31 March 2018	1,815	107	3,687	5,609
<i>Depreciation</i>				
At 1 April 2017	(204)	(95)	(3,400)	(3,699)
Charge for year	(23)	(12)	(274)	(309)
Disposals	-	-	1,026	1,026
At 31 March 2018	(227)	(107)	(2,648)	(2,982)
<i>Net book value</i>				
At 31 March 2018	1,588	-	1,039	2,627
At 31 March 2017	1,611	12	731	2,354

18 Investment properties - Group and Association

	Market rent £'000	Commercial £'000	Land £'000	Total £'000
At 1 April 2017	719	1,308	750	2,777
Transfer from housing property	-	19	-	19
Disposals	(289)	(1,308)	-	(1,597)
Revaluations	20	338	-	358
At 31 March 2018	450	357	750	1,557

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

18 Investment properties - Group and Association (*continued*)

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

The surplus on revaluation of investment property arising of £0.4m (Association - £0.4m) (2017: £1.0m and £1.0m respectively) has been credited to the Statement of Comprehensive Income for the year.

19 Investments - Homebuy loans - Group and Association

	2018	2017
	£'000	£'000
At 1 April	1,104	1,080
Revalued	(17)	38
Loans redeemed	(120)	(7)
Loans w/Off	-	(7)
At 31 March	967	1,104

Investments in Homebuy loans represent an equity stake in third party properties purchased under the following schemes:-

Mortgage rescue loans
Easymove mortgages
Starter home initiative
Shared equity loans

Interest rates charged on the Mortgage rescue loans are at 4.5% (2017 - 4.5%).

Security for the loans is based on the assets the loans relate to and repayment terms vary depending on the type of the loan.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

20 Fixed asset investments

Details of Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the Association has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
<i>Subsidiary undertakings</i>				
SIB Property Ltd (formerly Soha in Business)	England	100%	Principal activity relates to the development and construction of housing	Incorporated company
Soha Neighbourhood Services Ltd	England	100%	Dormant	Co-operative and Community Benefit Society

21 Properties for sale

GROUP	First tranche shared ownership properties	Market Sale	Total	First tranche shared ownership properties	Market Sale	Total
	2018	2018	2018	2017	2017	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress	995	793	1,788	2,213	152	2,365
Completed properties	4,261	-	4,261	875	-	875
	5,256	793	6,049	3,088	152	3,240

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

21 Properties for sale (continued)

ASSOCIATION	First tranche shared ownership properties	Market Sale	Total	First tranche shared ownership properties	Market Sale	Total
	2018	2018	2018	2017	2017	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress	995	-	995	2,076	-	2,076
Completed properties	4,261	-	4,261	875	-	875
	5,256	-	5,256	2,951	-	2,951

22 Debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	1,106	1,020	1,106	1,020
Less: Provision for doubtful debts	(288)	(439)	(288)	(439)
	818	581	818	581
Other debtors	1,160	1,162	1,160	1,162
Amounts owed by group undertakings	-	-	34	6
Prepayments and accrued income	643	891	643	891
Recoverable VAT	9	30	7	28
	2,630	2,664	2,662	2,668
Due after one year				
Amounts owed by group undertakings	-	-	860	860
	-	-	860	860
	2,630	2,664	3,522	3,528

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

23 Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings (note 28)	2,234	2,103	2,234	2,103
Trade creditors	2,237	4,025	2,178	3,960
Rent and service charges received in advance	620	653	620	653
Taxation and social security	200	249	200	249
South Oxfordshire District Council -RTB proceeds	653	525	653	525
Development and maintenance accruals	5,659	2,928	5,659	2,928
Deferred capital grant (Note 25)	571	557	571	557
Other accruals and deferred income	3,084	2,163	3,030	2,158
Pension liability (Note 30)	392	392	392	392
Other creditors	937	3	937	3
	16,587	13,598	16,474	13,528

24 Creditors: amounts falling due after more than one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 28)	217,972	220,237	217,972	220,237
Deferred capital grant (Note 25)	51,283	51,058	51,283	51,058
Recycled capital grant fund (Note 26)	447	289	447	289
Disposal proceeds fund (Note 27)	579	577	579	577
Pension Liability (Note 30)	2,177	2,568	2,177	2,568
Provision for Thames Water repayment	-	750	-	750
	272,458	275,479	272,458	275,479

Amounts due on all loans are secured by a fixed charge over a total of 4,394 units (2017: 4,421).

25 Deferred capital grant

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	51,615	50,195	51,615	50,195
Grants received during the year	928	1,688	928	1,688
Grants recycled to the RCGF and DPF	(117)	(69)	(117)	(69)
Grants recycled from the recycled capital grant fund	-	363	-	363
Released to income during the year	(572)	(562)	(572)	(562)
At 31 March	51,854	51,615	51,854	51,615

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

26 Recycled capital grant fund - Group and Association

Funds pertaining to activities within areas covered by	HCA 2018 £'000	HCA 2017 £'000
At 1 April	289	526
Inputs to fund:		
- grants recycled from deferred capital grants	117	69
- grants recycled from SHI RCGF	29	51
- grants recycled from statement of comprehensive income	11	5
- interest accrued	1	1
Recycling of grant:		
- new build	-	(363)
At 31 March	447	289
Amounts 3 years or older where repayment may be required	-	-

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

27 Disposal Proceeds Fund - Group and Association

Funds pertaining to activities within areas covered by	HCA 2018 £'000	HCA 2017 £'000
At 1 April	577	178
Inputs to fund:		
- Funds recycled from deferred capital grants	-	-
- Funds recycled from statement of comprehensive income	-	398
- interest accrued	2	1
Use / allocation of funds:		
- new build	-	-
At 31 March	579	577
Amounts 3 years or older where repayment may be required	-	-

Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

28 Loans and borrowings - Group and Association

Maturity of debt:

	Bank loans	Capital Markets	Other loans	Financing costs	Total
	2018	2018	2018	2018	2018
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	-	2,255	(21)	2,234
In more than one year but not more than two years	-	-	2,387	(40)	2,347
In more than two years but not more than five years	2,500	1,333	6,927	(62)	10,699
Five years + Instalments at an average rate of 4.2%	17,500	78,667	109,306	(546)	204,926
	20,000	80,000	120,875	(669)	220,206

	Bank loans	Capital Markets	Other loans	Financing costs	Total
	2017	2017	2017	2017	2017
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	-	2,123	(20)	2,103
In more than one year but not more than two years	-	-	2,255	(39)	2,216
In more than two years but not more than five years	2,500	1,333	8,063	(59)	11,837
Five years + Instalments at an average rate of 4.2%	17,500	78,667	110,557	(540)	206,184
	20,000	80,000	122,998	(658)	222,340

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

28 Loans and borrowings - Group and Association (*continued*)

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 3.58% to 6.52% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 March 2018 the group had undrawn loan facilities of £25m (2017 - £25m).

29 Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historic cost				
- Trade receivables	818	581	818	581
- Other receivables	1,812	2,083	1,850	2,087
- Investments: homebuy loans	967	1,104	967	1,104
- Cash and cash equivalents	29,467	42,231	29,142	41,654
- Loans receivable	-	-	860	860
Total financial assets	33,064	45,999	33,637	46,286
Financial liabilities				
Financial liabilities measured at historic cost				
- Loans payable	220,206	222,340	220,206	222,340
Financial liabilities measured at historic cost				
- Trade creditors	2,237	4,025	2,178	3,960
- Other creditors	63,940	59,002	63,885	58,997
Total financial liabilities	286,383	285,367	286,269	285,395

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors, other creditors.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

30 Pension liability

	SHPS pension deficit contribution	SHPS pension deficit contribution
	2018	2017
	£'000	£'000
At 1 April 2017	2,960	3,191
Charged to income and expense		
- Remeasurement (note a)	(36)	85
Unwinding of discount	37	62
Contribution paid	(392)	(378)
Utilised in year	-	-
At 31 March 2018	2,569	2,960

Note a The discount rate used in calculating the SHPS pension deficit contribution provision changed from 1.33% at 31 March 2017 to 1.72% at 31 March 2018, as a result the provision increased.

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

30 Pension liability (*continued*)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

31 Share capital

	2018	2017
	£	£
At 1 April	23	23
Shares issued in the year	112	1
Shares cancelled in the year	(1)	-
At 31 March	134	24

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. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

32 Contingent liabilities

The Group receives grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant received in respect of these properties that had not been disposed of was £52.6m.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

33 Operating leases - Group and Association

The group and the association had minimum lease payments payable under non-cancellable operating leases as set out below:

Amounts payable as Lessee	Land & Buildings		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not later than 1 year	23	23	-	8
Later than 1 year and not later than 5 years	45	68	-	-
Later than 5 years	-	-	-	-
Total	68	91	-	8

The group and the association had minimum lease payments receivable under non-cancellable operating leases as set out below:

Amounts receivable as Lessor	Land & Buildings	
	2018	2017
	£'000	£'000
Not later than 1 year	35	34
Later than 1 year and not later than 5 years	141	137
Later than 5 years	3,215	3,168
Total	3,391	3,339

The amounts receivable represent the ground rent receivable on leasehold properties over the terms of the lease.

34 Capital commitments - Group and Association

	2018	2017
	£'000	£'000
Commitments contracted but not provided for:		
Maintenance	7,948	7,192
Construction	70,590	30,946
Commitments approved by the Board but not contracted for:		
Construction	28,610	32,471
	107,148	70,609

Capital commitments for the group and association will be funded from existing reserves, property sales and drawing down on the existing facility.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

35 Related party disclosures

The ultimate controlling party of the group is Soha Housing Limited - Registered social housing provider. There is no ultimate controlling party of Soha Housing Limited - Registered social housing provider.

The Board includes four tenant members who hold a tenancy agreement on normal terms and one shared owner who holds a Lease and cannot use their position to their advantage. The rent charged for the year was £30k (2017: £36k) and the tenants had a net credit balance of £2,389 at the 31 March 2018 (31 March 2017: net credit balance of £213).

As a result of a change in the membership of Soha, there are 110 other members who are not board members but who hold either a tenancy agreement on normal terms or are shared owners who hold leases and cannot use their position to their advantage. The rent charged for the year for these members was £638k and the tenants had a net credit balance of £20k at the 31 March 2018.

Transactions with non-regulated entities

The association provides management services, other services and loans to its subsidiary. The association does not receive any charges from its subsidiary. The quantum and basis of those charges is set out below.

Payable to Association by subsidiary:	Management charges		Other charges		Interest charges		Gift Aid	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
SIB Property Ltd	12	12	-	-	51	51	-	-
	12	12	-	-	51	51	-	-

Payable by Association to subsidiary:	Management charges		Other charges		Interest charges	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
SIB Property Ltd	-	-	-	-	-	-
	-	-	-	-	-	-

Intra-group management fees

Intra-group management fees are receivable by the association from its subsidiary to cover the running costs the association incurs on its behalf. The management fee is calculated based on an agreement between the association and its subsidiary dated March 2012.

Transactions with non-regulated entities

Other intra-group charges

Other intra-group charges payable to the association from subsidiary relate to staff recharges and gift aid payments.

Intra-group interest charges

Intra-group interest is charged by the association to its subsidiary at the rates incurred by the association on its bank loans.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

Intra-group loans

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement £'000	Closing balance £'000
Soha Housing	SIB Property Ltd ¹	860	-	860

Key	Terms of repayment	Details of guarantee
1	Repayable on demand by the lender but no later than 31 March 2039	None

36 Post balance sheet events

There are no post balance sheet events.

37 Prior year adjustment

Amounts repayable to Thames Water were disclosed as a contingent liability in the accounts ending 31 March 2017.

During the current year management made the decision to repay tenants £932k of water commissions earned dating back to 1 April 2012. As these amounts date back to 2012, management have decided to adjust the figures for previous years as a prior year adjustment. The details of which are shown below. This has no effect on net cash from operations.

Balance sheet

	Creditors - due in more than one year £'000	Group Net assets £'000	Reserves £'000	Creditors - due in more than one year £'000	Association Net assets £'000	Reserves £'000
As at 1 Apr 2017	274,729	264,378	264,378	272,458	264,446	264,446
Thames Water adjustment	750	(750)	(750)	750	(750)	(750)
As restated	275,479	263,628	263,628	273,208	263,696	263,696

Statement of comprehensive income

	Operating costs £'000	Group Operating surplus £'000	Surplus £'000	Operating costs £'000	Association Operating surplus £'000	Surplus £'000
Year ending 31 March 2017	19,755	21,153	14,324	19,738	21,170	14,392
Thames Water adjustment	194	(194)	(194)	194	(194)	(194)
As restated	19,949	20,959	14,130	19,932	20,976	14,198