

Soha Housing Limited

Consolidated Financial Statements

Year ended 31 March 2017

Co-operative and Community Benefit Society
number: 28410R

Homes and Communities Agency number: L4130

Contents

Page

1	Executives and advisors
2	Report of the board of management
14	Strategic report
26	Independent auditor's report
28	Consolidated and Association statement of comprehensive income
29	Consolidated and Association balance sheet
30	Consolidated and Association statement of changes in reserves
32	Consolidated and Association statement of cash flows
33	Notes forming part of the financial statements

Soha Housing Limited

Executives and advisors for the year ended 31 March 2017

Board of management

Victor Breach (Chair)
Peter Miller-Smith (Chair - resigned September 2016)
Lucy Weston (Vice Chair) (Finance portfolio)
Don Harrison
Jennifer Ekelund (appointed September 2016)
Harjit Sandhu (Chair of Audit and Risk)
Nasreen Al-Hamdani
Nicola Mellings
Peter Haynes
Richard Peacock (Chief Executive)
Tim Bolton
Valerie Kir
Valerie Austin

Executive management

Richard Peacock
(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

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

Dexia Public Finance Bank Plc
13th Floor
200 Aldersgate Street
London

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

M&G Investment Management Ltd
Laurence Pountney Hill
London
EC4R 0HH

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 2017

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 achieved our highest ever tenant satisfaction figure of 92%;
- 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 2017 was £34.5m.

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 2017 was £3.0m.

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

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.

In November 2016, the HCA confirmed Soha's compliance with the Economic Regulatory Standards and gave us the top ratings of G1 and V1.

The Board believes that Soha continues to be compliant with the VfM Standard and that this is an area of strength for us because:

1. We have a strong and systematic approach to asset management (see section D1) which seeks to maximise the return on assets and which has seen us develop 178 new homes in the last year;

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

2. Our performance is good and we continue to maintain this whilst driving down costs. We use benchmarking as a core tool to assess our performance compared with similar organisations (**see section D2**). This also helps us set targets for our performance across our Corporate Planning cycle;
3. We have a culture of achieving VfM throughout the organisation, shown through cost savings (**see section D3**) and service improvements. Our approach permeates our Corporate Plan, our Approach to Excellence and business strategies, filtering through to individual service teams and members of staff. Our budget setting cycle allows and encourages staff to identify and make VfM savings across a longer period of time. A significant achievement this year has been the implementation of a new business IT system, which we expect to bring significant benefits to efficient working, giving staff more time to focus on front-line services.

A more detailed version of the Value for Money Statement which includes our corporate objectives, the effectiveness of Co-regulation and an update on last year's action plan can be found at:

www.soha.co.uk

In addition, we have produced a more accessible version for our main stakeholder, our tenants, with their input, which will be published in our Annual Report.

D1. Return on assets

Soha has a comprehensive approach to asset management, driven by the Board.

This is set out through our Corporate Plan with the links between the return on assets and how we meet our corporate objectives (as outlined in the Strategic Report) explicitly shown below in bold italics.

A. Providing new homes - *housing provider of choice*

Soha's development programme slowed slightly in 2016/17, as we considered the impact of the increased cost of development and the rent decrease. However, we achieved a good result of 178 new properties at a cost of £22.9m, operating in a high cost development area.

Forward planning - Our development strategy set out in the Business Plan is set at realistic levels and it has been assumed that no grant will be received on any of the new developments for the life of the plan. Development targets in the Business plan are 250 properties per annum over a 7 year period at a cost of £292m. In order to achieve our targets we will be raising additional debt finance which has been fully factored into the Business Plan and stress tested to ensure that we maintain our financial strength.

B Maximising our return on assets - *Getting the basics right, helping tenants thrive not just survive*

Soha is a locally based association and our asset management is based on our good understanding of current housing stock and the area in which we operate. We hold full internal and external stock condition data on 97% of our stock and keep this up to date with a programme of inspections.

The Board's investment decisions are made on sound business bases which are geared towards achieving our corporate objectives.

B.1 Financial and social return: 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 £300K);
- Has a high void cost (over £10K); or
- Is low SAP rated (under 55)

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

we review how best to maximise the return on that asset. Consideration is given to the location of each property, as well as local housing need, as well as the cost and value of the property. The final decision is taken by the Executive Team. During 2016/17, the Executive Team considered 8 void properties which were either high value, had a high void cost, low Standard Assessment Procedure (SAP) rated or a combination of the three factors. As a result five properties were sold in the year in 2016/17 (four agreed in the previous year 2015/16), giving a capital receipt of £1.7m. In total, selling five properties will allow around 10 new homes to be built (assuming our current split of 70/30 Affordable Rent / Shared Ownership).

Update on action plan - We have a good understanding of the make-up of our responsive repairs. Every six months we produce a report that identifies the households ordering the highest number of repairs and a report that identifies the properties where we are spending the most on repairs. We agree an action plan to reduce responsive repairs demand and repair expenditure in these households. We have also produced a wider 15 point plan for reducing repair demand and repair expenditure over the next 12 months which we will monitor and develop as required to ensure it meets this aim.

B.2 Return on individual properties

Soha has a good understanding of our properties and regularly reviews expenditure and demand on different types of properties and geographical areas.

We understand the financial benefit of each of our properties to our business in the long run on a social housing basis. We have a formal valuation carried out by external valuers based on the Existing Use Valuation - Social Housing (EUV-SH). The valuation methodology measures the net income per property over its lifetime and provides a net present value. Average EUV-SH value of the general needs housing is increasing, hence the increase in our return on assets. The average valuations per property are:

- 2009 - £54,460
- 2012 - £59,213
- 2015 - £67,310

The latest valuation was carried out in March 2015. Our policy is to carry out property valuations every three years as per the requirement of the loan agreements with all the lenders. With one lender we are required to carry out an annual desktop valuation. This was carried out for 31 March 2017 and has shown that the average property value on an EUV-SH and Market Value Subject to Tenancies (MV-STT) basis of £74k and £152k have increased to £79k and £163k respectively, thereby notwithstanding the rent decrease announced in the 2015 Budget, demonstrating the continued increase in return on assets.

D2. Absolute and comparative costs of service delivery

A. Housemark comparisons

To enable a good understanding of costs and comparative costs of service delivery, Soha has been a member of HouseMark, the social housing sector benchmarking service, since 2000.

The latest available HouseMark benchmarking report is for the financial year ended 31 March 2016. In addition to the standard benchmarking report, Soha has asked for a bespoke report which can be drilled down into 'cost code' information. Total operating cost for the Association was benchmarked against 20 Southern based housing associations with between 2,500 and 10,000 properties.

Total operating costs are allocated into employee costs, non-pay costs and a reconciling item which includes impairment and depreciation. Employee costs and non-pay costs are further allocated into direct costs and overheads. Soha's position in comparison to the peer group's upper, median and lower quartile is shown in the table below. The costs in Table B reflect good VfM and where investment is made it is in line with tenant and business priorities.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

Table B - HouseMark benchmarking data - employee/non pay & direct services/overhead

	Peer group			Soha
	Upper	Median	Lower	
Total operating cost	£2,975	£3,237	£3,610	£2,894
Employee cost	£779	£888	£1,151	£680
Direct services	£551	£665	£909	£474
Overhead	£208	£233	£281	£206
Non - pay costs	£1,198	£1,478	£1,605	£1,487
Direct services	£865	£1,231	£1,300	£1,302
Overhead	£245	£295	£369	£186

Green. - upper quartile

Amber. - lower median / upper lower quartile

Red. - lower quartile

Soha's total operating cost per unit is in the upper quartile. Overall employee cost is also in the upper quartile. Employee cost relating to the overhead, which was in the upper medium quartile in 2014/15, has improved and in 2015/16 has moved into the upper quartile. Non pay costs are in the median quartile because of direct services. Where costs fall below upper quartile, further analysis is shown below in Table C.

Table C - Further analysis of costs

	Peer group			Soha
	Upper	Median	Lower	
Non - pay costs (direct services)	£865	£1,231	£1,300	£1,302
Major repairs & cyclical	£396	£525	£723	£550
Response & voids work	£309	£437	£600	£556
Capital works cost	£493	£566	£752	£620

Amber. - lower median / upper lower quartile

Red. - lower quartile

Overall, non-pay costs (see Table B) are in the median quartile. We note that non-pay cost overheads are comfortably within the upper quartile thus demonstrating good cost control and VfM awareness. The majority of expenditure in non-pay costs is in respect of 'direct services'. Indeed, over 85% of non-pay direct service cost is in respect of repairs and maintenance which demonstrates that Soha's investment in maintaining its current housing stock is in line with the average (including capital works costs) in the peer group and thus reasonable. Median quartile expenditure on repairs and maintenance per property is also in line with our objective around '*getting the basics right*' by investing in our housing stock and ensuring the quality of our homes into the future.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

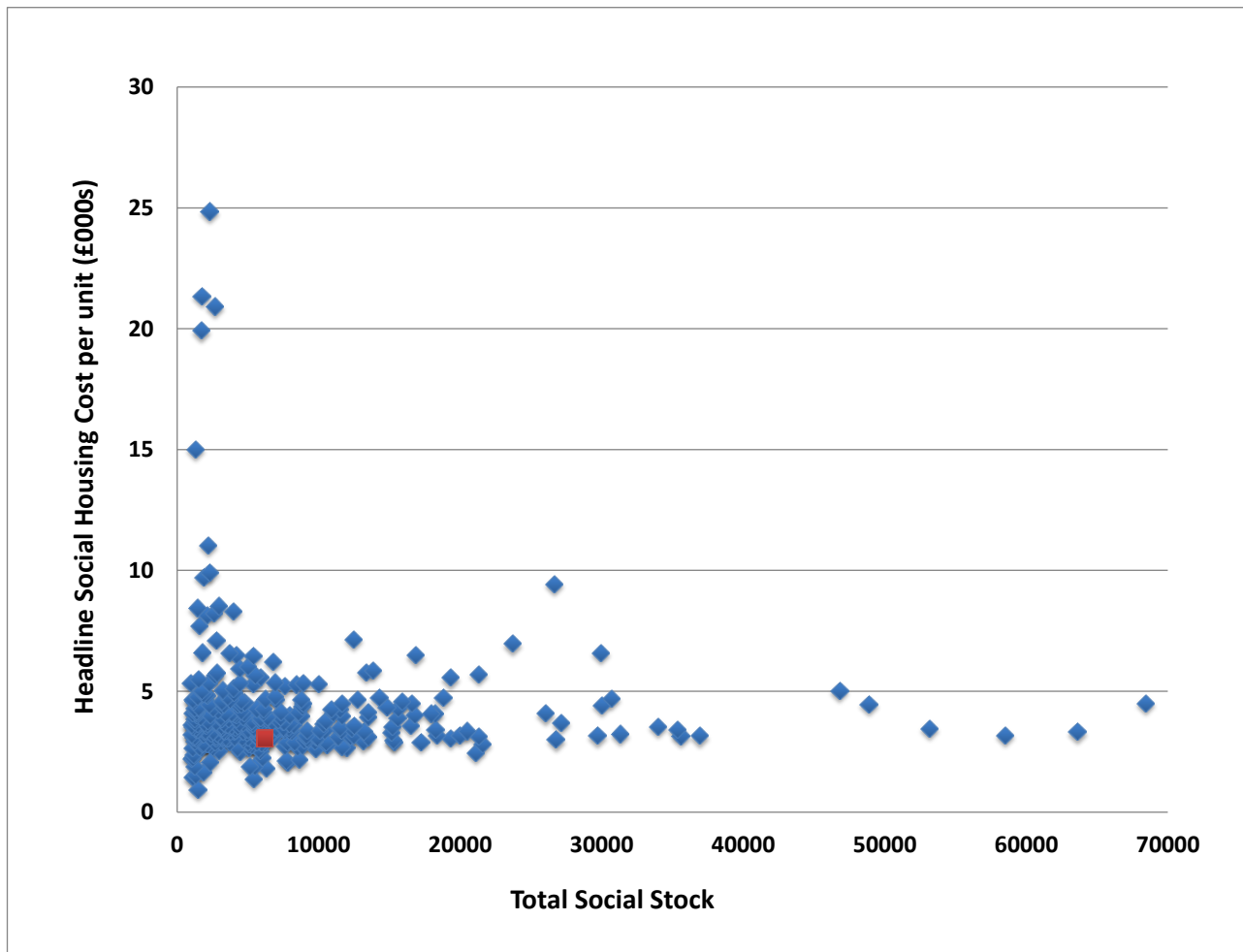
B. Global accounts comparisons

In order to fully understand comparative costs, the Association also used the data spreadsheet produced by the Homes & Communities Agencies (HCA) to inform the Global Accounts 2016 as a supplement to the HouseMark benchmarking data. Headline social housing lettings cost per social housing property managed by Soha was £3,040, which taking into account the differences in the methodology used by HouseMark, is close to and consistent with the Global Accounts. Sector level data for 331 housing associations is set out in Table D below.

Table D - Sector level data for housing associations

March 2016	
	Cost per unit
Sector level data	£s
Upper quartile	3,110
Median	3,570
Lower quartile	4,340
Soha	3,040

The chart below also shows Soha's comparative position (highlighted red) in comparison to others in the 'Global Accounts'.



Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

C. Housemark performance / cost comparisons

In addition to the pure cost analysis, Soha is clear that VfM is not about cutting costs, but about creating better value with the available resources. The following cost performance matrix demonstrates Soha's commitment to provide an excellent VfM service.

During budget setting 2017/18 and in previous years, Soha made extensive use of benchmarking data, both financial and qualitative. The graphic below shows service area by cost and performance during 2015/16. In some cases the performance measure contains as many as four different variables. In addition to budget holder input, the Directors, with reference to cost, re-allocated resource with the view to improving performance.

Peer Group (HAs operating in the South East and West regions with between 2,500 - 10,000 units)



Areas of good performance

All service areas are in the good performance quadrant. The table below shows where the performance has improved from the prior year (2015/16).

Table E - Areas of good performance

Reference	Service Area
1	Responsive repairs and void repairs (performance improved from 2014/15)
2	Rent arrears and collection
3	Anti-social behaviour (<i>was poor performance prior last year; all indicators improved in 2015/16</i>)
4	Major works and cyclical maintenance
5	Lettings
6	Tenancy Management
7	Resident Involvement
8	Estate Services

Forward planning

Although VfM is well embedded in the Association at all levels, we continue to look forward towards making further improvements on both cost and performance by using benchmarking data and the better use of IT systems throughout the organisation, continuing to build on our strong culture of VfM.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

D3. Value for money gains

Soha aims to provide high quality services whilst maintaining reasonable costs and, where possible, driving down costs. Soha's operating costs are good as shown in the benchmarking above. Nevertheless, we continue to drive down costs where possible and this is set in a VfM framework that includes budgeting, procurement and day to day efficiencies. However, we do not want to risk under-investing in our assets and services.

We have a robust approach to budget setting with a zero base approach on controllable costs. Budget managers use this to identify and make year on year efficiency savings. Some savings are re-invested into service improvement or potential 'hotspot' areas, for example the risks around Welfare Reform.

As a housing association our two biggest cost drivers are our staff and expenditure on repairs and maintenance. We regularly review our staffing costs to ensure that we are effectively and appropriately resourced to deliver the objectives in our Corporate Plan. Our cost control and VfM strategy on repairs and maintenance expenditure is given below.

A. Cost and income gains in 2016/17

As set out in the 2015/16 VfM Statement, we have accessed finance at good rates, including a loan from SODC and we continue to benefit from this. Interest cost savings on the SODC loan compared to the average weighted fixed rate payable is £109K per annum.

As highlighted above in section D1, we have a robust approach on asset management; high value properties, high void cost and low SAP rated. Proceeds from sales in 2016/17 were £1.7m. In addition, receipts from other property sales were £7m, including £5m from the sale of a student accommodation block. All sales proceeds are re-invested into providing new homes.

At Soha, 23% of our expenditure is on staffing and we have demonstrated above under HouseMark comparison that our employee costs are well within the upper quartile at £680 per unit (2015/16: £691 per unit). In addition to cost control we pride ourselves on delivering an excellent service. We have procured and are in the process of implementing a new IT system, which will increase our efficiency in the long term. As reported in 2014/15, in the short to medium term we do not expect to see a reduction in our established staffing base. Indeed, with the expected changes to welfare reform and the measures introduced in the 2015 Budget, we still expect that staffing levels may have to increase somewhat to ensure that the quality of the service is maintained. This is in the context of a strong increase in stock growth.

In terms of non-pay costs, over 72% relate to the provision of repairs and maintenance. All of Soha's maintenance is delivered via external contractors. As highlighted in our previous VfM statement, contracts are subject to regular retendering to ensure that we get the best VfM possible. The majority of the contracts are for a duration of three years or more to ensure competitiveness and service continuity. As most major contracts were awarded in the last few years, only one contract was retendered during 2015/16. The actual savings are given below.

Responsive repairs and planned maintenance

In our 2015/16 VfM Statement, we reported actual savings realised from our new repairs contract of £500k. Further savings continued to materialise in 2016/17. In addition to the cost savings, we also realised non cost savings, which can be summarised as:

- Contractor has no automatic right to an annual inflationary increase.
- Improved contract KPIs and set more challenging KPI targets to bring contract in line with Housemark key KPIs and tenants expectations.
- Reviewed and improved the existing schedule of rates to make them more all-encompassing (to reduce variations) and reduced unit rates where they are high compared with others.
- Contract specification and standards enhanced following tenant workshops and consultation.
- Made it a requirement of the contract that the contractor train apprentices throughout the Contract term.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

A number of planned maintenance services were retendered in 2015/16; windows, doors, kitchens, bathroom, gas heating & servicing and rainwater goods. For all the tenders we moved from an annual RPI uplift to a CPI linked increase. There was around 1% difference between the RPI and CPI rate used for the annual uplift. As the total expenditure for all projects in 2016/17 was £3.7m (2015/16: £3.3m), we estimate that we saved around £37k (2015/16: £33k).

Total gains during 2016/17, taken together with the year on year gains identified in previous years is £2.3m (6.5% of turnover from social housing lettings).

B. Estimated cost gains in 2017/18 and beyond

As stated above, Soha contracts are subject to regular retendering to ensure that we get the best VfM possible cost savings and that the majority of the contracts are for a duration of three years or more to ensure competitiveness and service continuity. Hence it follows that cost savings can only be achieved in years that contracts are subject to tender.

The overall budget for 2017/18 is £19.8m of which £4.6m relates to staffing, leaving £15.2m for general expenditure. Of the £15.2m, £9.1m is in respect of 19 contracts.

By going out to tender in these major areas, 60% of our non-staffing expenditure is subject to competitive tender, hence demonstrating that we are achieving the most competitive price available for the level of service required.

As all of our maintenance is carried out by external contractors, further value for money gains are anticipated during the retendering of major contracts, which are given below:

Table G - Maintenance contracts

Service area	Contract value per annum	Tender year	Work carried out in:
Re - roofing	£450k	2017/18	2018/19
Replacement rainwater goods	£160k	2018/19	2019/20
Gas heating installations	£950k	2018/19	2019/20
Windows & doors	£680k	2018/19	2019/20
Cleaning contract	£200k	2018/19	2019/20
Responsive repairs and voids	£3.1m	2019/20	2020/21
Kitchens	£850k	2019/20	2020/21
Electric heating	£340k	2019/20	2020/21
Ground maintenance	£300k	2019/20	2020/21
Asbestos testing and removal	£160k	2020/21	2021/22
Bathroom	£700k	2020/21	2021/22
External work	£440k	2020/21	2021/22
Electrical testing	£230k	2020/21	2021/22

VfM conclusion

This statement demonstrates that Soha is compliant with the required outcomes of the Value for Money standard.

In terms of specific expectations, Soha's Board takes a robust approach to decision making on the use of resources to deliver the objectives in the Corporate Plan and provides a strong lead on Value for Money, with the concept well embedded in the organisational culture at all levels' from staff to tenants. Involved tenants play an important role in helping decision making and providing assurance through Co-regulation activities.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

The Board is fully assured that Soha has:

- a good understanding of return on assets (section 2.2a of the Standard) as demonstrated in part D1 of this statement;
- comprehensively set out the absolute and comparative costs of delivering specific services (section 2.3b of the Standard) as provided in part D2 above; and
- evidenced how VfM gains have been and will be made and how these will be realised over time (section 2.3c of the Standard) as highlighted in part D3 of this statement.

E - Compliance with the Governance and Financial Viability Standard

Soha is compliant with the HCA Governance and Financial Viability Standard.

The Homes and Communities Agency's (HCA) Governance and Financial Viability Standard (the Standard) was updated in April 2015. This was accompanied by a new Code of Practice, which provides guidance to registered providers to ensure compliance with the 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.

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 HCA:

- 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 2017, 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.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

G - Assessment of the effectiveness of internal control

The Regulator (currently the HCA) used to give guidance on internal controls assurance, but this has now been withdrawn. The Association has developed Financial Regulations and an Approach to Probity 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 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 Inspectors and the Scrutiny Group
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

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

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 with their Annual Report September 2017. 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 Board has received the Executive Officers' annual report and the annual review of the effectiveness of the system of internal control from the Audit & Risk Committee and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

As a result of the above, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association 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 2017 and the subsequent period to 13 September 2017.

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.

Soha Housing Limited

Report of the Board of Management for the year ended 31 March 2017

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.

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
13 September 2017

Soha Housing Limited

Strategic report for the year ended 31 March 2017

A - Objectives and strategies to achieve those objectives

Soha's four year Corporate Plan was set in 2013 and a new set of two-year objectives was set by the Board for 2015/16. 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.

Given the many changes in the operating environment, these objectives were reviewed by the Board at an Away Day in October 2015. Although the overall strategy remained unchanged, some of the objectives were refined and updated for 2016/17.

Our vision is:

to be an excellent, independent, community-based Housing Provider:

1. where tenants are treated as valued paying customers;
2. where we develop some tenants into involved members who care about Soha Housing; and
3. where we play our part in the happiness of tenants and communities so that they have:
 - pride in Soha;
 - respect for Soha; and
 - a sense of belonging.

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

- be customer-focused first;
- recognise and respect people's needs and aspirations;
- provide fair access and choice;
- be effective, imaginative and professional.

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 building strong communities in which tenants not just 'survive but thrive'.

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

Aims

Aim 1. Get the basics right

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.

Repairs: Responsive repairs are done more quickly than ever, with an average of 8.5 days (down from 9.5). 99% of emergency repairs are completed on time, with 98% of repairs appointments kept. Performance on first time fix is lower than target at 88.5%. This may be, in part, an issue with how we define 'first time fix' and a review to check this has been carried out.

Grounds maintenance: A review of grounds maintenance by the Tenant Audit Group has confirmed that contract management is strong and performance good, with 'eyes and ears' feedback from residents. Tenant feedback is very positive.

Quality of home: Over 2 years, we have improved the warmth of 127 homes by an average of 20 SAP points at an average cost of £5,037.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

Tenancy: Soha's Customer Charter has been implemented, with a new Customer Care strategy supporting it.

Communications with tenants: We have seen some increase in website use over the year, with 10% of tenants registered (646) and between 300-400 transactions a month.

Our use of social media has also increased, with #RealPeopleTrueStories improving our Twitter reach hugely and work to engage with tenants channelled mainly through Facebook, where we have piloted a tenant group to good effect.

Customer services Soha retained the Customer Services Excellence award in 2017, with no areas of non- or partial-compliance. We have continued to improve our approach to customer journey mapping and have worked on two major areas of service co-design: the new Independent Living Service, and an ongoing review of Lettings.

Aim 2. Be a housing provider of choice

Social housing remains at the centre of Soha's business. However, we have a clear strategy to grow the business in a sustainable way and to explore a range of products. We aim to meet housing need in our local area - providing high quality products to meet the different housing needs, with each model or type of provision to be sustainable in its own right and to contribute to social rented homes.

In 2016/17, we delivered 178 new homes. Over two years, we delivered 452 new homes against a target of 550. Changes such as the rent cuts and Brexit vote led to a slowing down of the programme. However, this still amounts to a 7.3% increase on stock over two years.

We have continued to deliver our Asset Management Strategy, investing in properties to improve their warmth and work towards our Decent Homes Plus standard, or deciding to dispose of a property if it is high value, or would cost an unreasonable amount to bring up to standard. In these cases, we also consider property location and local housing need before making our decision. The decision was made to sell three high value properties during 2016/17. One sale was completed, along with the sales of 4 high value properties (decision made 15/16) with a total income of £1.7m. Student accommodation at Cavalier Court was sold in December 2016.

Bedsit numbers have been reduced from 166 in 2008 to 25 occupied as at March 2017. We have expanded housing choice for older people to include shared ownership, modern flats for older people, leasehold schemes, enhanced sheltered housing and Extra Care Housing. Our third Extra Care Scheme includes outright sale, shared ownership and rented properties.

Aim 3. Helping tenants thrive, not just survive

Welfare reform: The cross-departmental project has delivered against a number of objectives:

- Low year end arrears (1.9%)
- Impact of bedroom tax mitigated, with our lowest arrears for this group since the policy was introduced.
- New U35 pilot project to help us understand how best to support that age group.

Digital inclusion work has increased, with more than 200 tenants learning how to go online and increasing their skills. Our digital inclusion work, which includes a number of volunteer Digital Champions, was shortlisted for a 2017 UK Housing Award.

Our **Affordability Plan** links with our **Older People's Visiting Scheme** which has proactively offered support and signposting advice where people are having financial difficulties. Delivery of the plan has included promoting access to cheaper services (e.g. switching energy suppliers, home insurance), highlighting the dangers of loan sharks and signposting to helpful resources around banking and financial products.

Through Soha's **employment project**, Launchpad, we have directly supported 89 people towards employment, including:

Soha Housing Limited

Strategic report for the year ended 31 March 2017

- 31 people gained a qualification
- 20 people found a job

In addition, we have supported two groups (Berinsfield Employment Action Group and Cholsey Learning Hub) which have reached more than 100 people, increasing their confidence and skills.

Aim 4. Helping build strong, sustainable communities

Helping build and encourage strong, sustainable communities which have a positive impact on residents' quality of life.

Throughout the year, we have worked with local people to help strengthen their local communities and raise the visibility of Soha in local neighbourhoods. For example, we have:

- Targeted community cohesion work in Cholsey, resulting in a newly invigorated residents' group
- Supported events and groups across the area (including the Gainsborough Residents' Group and Berinsfield EAG and children's centre), as well as sponsoring community events
- Supported SODC consultation in Berinsfield
- Promoted estate walkabouts
- Continued to use more branded clothing and goods (e.g. gazebo at events)
- Increased our social media reach significantly, interacting with more residents

In consultation with residents, we have made improvements to 19 neighbourhoods with a total cost of £130,698.

Satisfaction with ASB handling is good at 88% (slightly below target of 90%).

Aim 5. Know our customers individually so that we develop a customer relationship that they value

Our two year objective is to know our customers and use information to develop a valued customer relationship. We have progressed well on this aim, with data held on more than 85% of households. We have developed targeted services such as the Independent Living service and Under 35s pilot. With the delivery of the new IT system early into 2017-18, we will make significant progress around this area going forward.

Aim 6. 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.

Soha holds IIP Gold. This is a good indication of our high standards within employment.

During the year, we reviewed our Competency Framework with staff. A comprehensive staff training plan is in place. 98% of staff feel that they are offered sufficient support and training to develop their knowledge and skills within their current role.

Aim 7. Listen to, involve and empower tenants

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 worked on implementing recommendations from an external review of Co-regulation. The biggest piece of work has been exploring options for 'hardwiring' Co-regulation.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

Over the year, we have also trialled different approaches to more flexible involvement, in particular using Skype for scrutiny and setting up a Facebook group for ongoing discussion (with over 150 members as at March 2017). We have also continued our approach to 'pop up' consultation in communities, for example through pub lunches.

Over the year, 445 households were involved with Soha, including 40 Shared Owners.

We have developed our Investing in Involvement approach, working with residents to measure the impact of involvement on a number of measures, including individual benefit.

The HACT work has not been as helpful as hoped, with the £ measure difficult for people to grasp. However, we are using this, alongside developing individualised measures, to assess the impact of Launchpad and of our digital inclusion work.

We have used voice analytics to listen to real-time feedback. This has helped us to:

- Monitor contractor performance and pick up on any issues early on
- Make improvements to procedures, for example how we respond to a bereavement
- Gather qualitative data very quickly to inform research (e.g. around the quality of our letters and around the lettings process).

We have extended our older person's visiting service, speaking to more than 600 people.

Satisfaction that we listen to tenants and act on their views remains high, although it has reduced slightly to 83%.

Year end satisfaction with Soha as a landlord is at its highest ever, at 92%.

Aim 8. Have financial strength and independence so that Soha has a sustainable, local future

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. Building on our local strengths and community base, we have explored options such as membership.

Soha has continued with its robust approach to risk management, with Audit & Risk Committee taking a strong lead in reviewing high level risks.

Soha's key ratios have been good throughout the year. The Global Accounts demonstrate a competitive cost per unit. Soha's work with others in the sector on Form Follows Function has established a national approach to partnerships and mergers which places organisational purpose at the centre of decision making.

We have continued to develop our risk strategy and register and have a well-embedded approach. This was underpinned with all staff training during the year.

We have developed our approach to regulatory assurance and will do so again in the coming year.

The Governance Improvement Working Group has agreed and implemented a plan against the findings of the review.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

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 the best ever overall satisfaction at 92% and consistently high results across all service areas;
- Excellent year end delivery measures across all service areas;
- Delivery of our Corporate Objectives, with strong leadership from the Board in setting the strategic direction for the next four years in the changing operating environment;
- A continued positive national reputation for resident involvement, creating real value at Soha.
- A strong approach to excellent customer services. Soha again retained the Customer Services Excellence award this year.

Soha's growth is good, with 178 new homes developed with very 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 6,539 to 6,619.

During the year 48 shared ownership properties were sold adding £7.3m (2016: £10.0m) 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 2017. 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 (2016: £6.0m).

At 31 March 2017, there were 24 (2016: 27) empty properties of which 4 (2016: 10) are sheltered accommodation. In addition, 25 sheltered units and 9 general needs units have been removed from the debit on the basis that they will be redeveloped or sold. 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. An extra care scheme in Southmoor was completed during the year and we have another extra care scheme in Shiplake which the Board have approved.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

Financial position at the year end

Soha's financial results for the year are set out on pages 28 to 69 following this report.

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

	2012/13	2013/14	2014/15*	2015/16	2016/17
Properties managed **	5,445	5,702	5,959	6,204	6,322
Properties managed growth (%)	2%	5%	5%	4%	2%
Turnover (£000s)	36,370	44,021	46,306	47,026	45,568
Growth in turnover (%)	23%	21%	5%	2%	(3)%
Operating surplus (£000's)	16,374	18,966	20,186	21,235	21,153
Operating Margin	45.02%	43.08%	43.59%	45.16%	46.42%
Surplus (£000s)	10,430	11,828	12,886	19,366	14,324

* 2014/15 restated for FRS102

** Social housing properties only

Consolidated statement of comprehensive income

	2017	2016	Movement
	£'000	£'000	£'000
Turnover	45,568	47,026	(1,458)
Cost of sales	(4,660)	(6,092)	1,432
Operating costs	(19,755)	(19,699)	(56)
Operating surplus	21,153	21,235	(82)
Movements in fair value	1,068	2,744	(1,676)
Surplus on disposal of fixed assets	1,765	4,906	(3,141)
Interest receivable and similar	177	115	62
Interest payable	(9,706)	(9,634)	(72)
Surplus for the financial year	14,457	19,366	(4,909)

Soha made a surplus for the year of £14.4m (2016: £19.4m), £3.0m of which is from first tranche sales of shared ownership properties (2016: £4.2m). The overall surplus is after deducting property and component depreciation of £4.5m (2016: £4.2m).

Soha Housing Limited

Strategic report for the year ended 31 March 2017

Key elements of the results are:

- Turnover from social housing lettings increased by £1m despite the 1% decrease in April 2016, reflecting the impact of the additional units available for letting through the completion of development projects;
- The level of sales of shared ownership properties for the year was excellent with 51 sales generating a turnover of £7.3m (2016: £10.0m);
- At £19.8m operating costs were on par with 2016 reflecting good cost control. Repairs came in under budget for the year;
- Upward movements in fair value are in respect of the six properties held at the year-end for non-social use;
- Surplus on disposal of fixed assets includes the stair-casing sales of 24 properties, of which 16 were to 100%, (2016: 26 stair-casing sales), the student accommodation block Cavalier House, 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

	2017	2016
	£'000	£'000
Tangible fixed assets - housing properties	498,335	483,993
Tangible fixed assets - other	2,354	2,174
Investment properties	2,777	6,312
Investments : homebuy loans	1,104	1,080
Net current assets	34,537	32,213
	539,107	525,772
Creditors: amounts falling due after more than one year	(274,729)	(275,718)
	264,378	250,054
Capital and reserves		
Income and expenditure reserve	101,545	85,672
Revaluation reserve	162,833	164,382
	264,378	250,054

At 31 March 2017, Soha's balance sheet showed total assets less current liabilities of £539.1m (2016: £525.8m) - an increase of £13.3m compared with the position at 31 March 2016. The main points are as follows:

- The carrying value of Soha's properties at 31 March 2017 was £498.3m (2016: £484.0m). As properties are held at cost, the increase is a result of additional units;
- Investment properties reduced as the remaining student accommodation block was sold. However the sale was somewhat off-set by the increase in the value of the other properties held for market sales;
- Expenditure on development schemes was £23m which paid for 178 completed new build properties with a further 274 units under construction at the year-end;

Soha Housing Limited

Strategic report for the year ended 31 March 2017

- At 31 March 2017, Soha's net current assets amounted to £34.5m (2016: £32.2m), with £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 £51.1m (2016: £49.6m) and £2.6m (2016: £2.8m) of pension liability.

Despite only building 178 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 22 October 2015 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 £168m with three different funders, a longstanding facility with Dexia Public Finance Bank for £133m, 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 £133 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 2017 £110m of the debt had been drawn down and £2m 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 2017 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 2017 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 2017

The profile of the total debts is as follows:

	£m
Tranches at fixed rates:	
due to mature in under 5 years	10.0
in 5-10 years	30.0
In 10-15 years	10.0
in 15-20 years	15.0
in 35-40 years	80.0
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)	
	28.0
Total loans drawdown at 31 March 2017	223.0

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

Following changes in the operating environment, with pressures on income and changes to legislation, Soha's Board discussed the strategic direction of the business. We recognise the challenges and have fully worked through sensitivity tests on our Business Plan. This has enabled us to reconfirm Soha's vision to be 'an excellent, independent community-based housing provider'. Our four customer facing aims and four supporting aims remain key to achieving this as highlighted in section B, Business Model above.

Soha's Corporate Plan articulates the practical delivery of these aims. 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'.

Soha is in a strong place financially, in terms of performance (tenant satisfaction and delivery measurements) and in delivering new homes. We will develop a new Corporate Plan to take us forward from 2017 and this will reflect changes in the external environment. However, 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. During the year, the Risk Strategy was updated to reflect the changes in the external operating environment.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

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 six principle risks, which are:

1. External operating environment. This includes Government policy changes including the voluntary RTB and rent decrease for until 2019/20 with no certainty thereafter. 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 have a selection of in-house bespoke spreadsheets and databases. Soha will ensure that all the bespoke data sources and systems are captured within the functionality of one commercial housing association system. A system has been procured with full implementation expected by summer 2017, which is on track.
3. 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.
4. 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.
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.

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.

Soha Housing Limited

Strategic report for the year ended 31 March 2017

The table below shows actual performance for 2016/17 against target and last year for a selection of the Association's key performance indicators:

Indicator	Actual 2016/17	Target 2016/17	Actual 2015/16
Tenant satisfaction with overall service	92%	90%	88%
Tenant satisfaction with listening to views & acting on them	82%	81%	86%
Average time to complete all repairs	8.5 days	8.0 days	9.5 days
Properties with current gas certificates	100%	100%	100%
Empty property turnaround	16 days	20 days	22 days
Void loss	0.46%	0.60%	0.57%
Current tenant arrears (gross)	1.9%	2.0%	1.7%
Current tenant arrears (net of HB)	1.9%	2.0%	1.7%
Operating margin	46.4%	45.0%	44.7%
Homes meeting Decent Homes Standard	100%	100%	100%
Homes developed or acquired	178	250	274

G - Governance

An independent review of Soha's Governance reported in December 2015 that, "governance at Soha is effective and provides good leadership, direction and control of the organisation" (HQN).

A Governance Improvement Working Group oversaw the implementation of recommendations from the review and reported an update on actions taken to Board in January 2017. In November 2016, the HCA reconfirmed Soha's compliance with the regulatory framework and again gave the top G1 rating.

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.

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 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.

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. 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

Soha Housing Limited

Strategic report for the year ended 31 March 2017

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 13 September 2017.

VICTOR BREACH
Chair

Soha Housing Limited

Independent auditor's report for the year ending 31 March 2017

We have audited the financial statements of Soha for the year ended 31 March 2017 which comprise the consolidated and association statement of comprehensive income, the consolidated and association balance sheets, the consolidated and association statement of changes in reserves, the consolidated and association cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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.

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 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

Soha Housing Limited

Independent auditor's report for the year ending 31 March 2017

- 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.

*BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom
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 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Turnover	4	45,568	47,026	45,568	46,632
Cost of sales	4	(4,660)	(6,092)	(4,660)	(5,766)
Operating costs	4	(19,755)	(19,699)	(19,738)	(19,682)
Operating surplus	4	21,153	21,235	21,170	21,184
Movement in fair value of investment properties	18	1,030	2,689	1,030	2,689
Movement in fair value of Homebuy Loans	19	38	55	38	55
Surplus on disposal of fixed assets	12	1,765	4,906	1,765	4,906
Other interest receivable and similar income	13	177	115	228	166
Interest and financing costs	14	(9,706)	(9,634)	(9,706)	(9,634)
Surplus before taxation		14,457	19,366	14,525	19,366
Taxation on surplus	15	(133)	-	(133)	-
Surplus		14,324	19,366	14,392	19,366
Total comprehensive income for year		14,324	19,366	14,392	19,366

The notes on pages 33 to 69 form part of these financial statements.

All activities relate to continuing operations.

Soha Housing Limited

Consolidated and Association balance sheets at 31 March 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets - housing properties	16	498,335	483,993	498,335	483,993
Tangible fixed assets - other	17	2,354	2,174	2,354	2,174
Investment properties	18	2,777	6,312	2,777	6,312
Investments : homebuy loans	19	1,104	1,080	1,104	1,080
		504,570	493,559	504,570	493,559
Current assets					
Stocks	21	3,240	3,301	2,951	3,301
Debtors - receivable within one year	22	2,664	1,721	2,668	1,793
Debtors - receivable after one year	22	-	-	860	860
Cash and cash equivalents		42,231	41,334	41,654	40,337
		48,135	46,356	48,133	46,291
Creditors: amounts falling due within one year	23	(13,598)	(14,143)	(13,528)	(14,078)
Net current assets		34,537	32,213	34,605	32,213
Total assets less current liabilities		539,107	525,772	539,175	525,772
Creditors: amounts falling due after more than one year	24	274,729	275,718	274,729	275,718
Net assets		264,378	250,054	264,446	250,054
Capital and reserves					
Income and expenditure reserve		101,545	85,672	101,750	85,672
Revaluation reserve		162,833	164,382	162,696	164,382
		264,378	250,054	264,446	250,054

The financial statements were approved by the Board of Directors and authorised for issue on 13 September 2017.

VICTOR BREACH
Chair

LUCY WESTON
Board Member

RICHARD PEACOCK
Secretary

The notes on pages 33 to 69 form part of these financial statements.

Soha Housing Limited

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

	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	85,672	164,382	250,054	85,672	164,382	250,054
Surplus for the year	14,324	-	14,324	14,392	-	14,392
Reserves Transfers:						
Transfer from revaluation reserve to income and expenditure reserve	1,549	(1,549)	-	1,686	(1,686)	-
Balance at 31 March 2017	101,545	162,833	264,378	101,750	162,696	264,446

Soha Housing Limited

Statement of changes in reserves for the year ended 31 March 2016

	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 2015	65,941	164,747	230,688	65,941	164,747	230,688
Surplus for the year	19,366	-	19,366	19,366	-	19,366
Reserves Transfers:						
Transfer from revaluation reserve to income and expenditure reserve	365	(365)	-	365	(365)	-
Balance at 31 March 2016	85,672	164,382	250,054	85,672	164,382	250,054

Soha Housing Limited

Consolidated and Association statement of cash flows for the year ended 31 March 2017

	Note	Group		Association	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Surplus for the financial year		14,324	19,366	14,392	19,366
Adjustments for:					
Depreciation of fixed assets - housing properties	16	4,504	4,210	4,504	4,210
Depreciation of fixed assets - other	17	274	284	274	284
Amortised grant	5	(562)	(552)	(562)	(552)
Net fair value gains recognised in profit or loss		(1,068)	(2,744)	(1,068)	(2,744)
Interest payable and finance costs	14	9,706	9,590	9,706	9,590
Interest receivable	13	(177)	(115)	(228)	(166)
Taxation expense		133	-	133	-
Difference between net pension expense and cash contribution		(293)	718	(293)	718
Surplus on the sale of fixed assets - housing properties	12	(2,007)	(4,906)	(2,007)	(4,906)
Loss on the sale of fixed assets - other		242	-	242	-
Decrease / (increase) in trade and other debtors		(943)	600	(875)	619
Decrease in stocks		198	515	350	199
Increase / (Decrease) in creditors		(449)	386	(657)	389
Cash from operations		23,882	27,352	23,911	27,007
Taxation paid		-	-	-	-
Net cash generated from operating activities		23,882	27,352	23,911	27,007
Cash flows from investing activities					
Proceeds from sale of fixed assets - housing properties	12	10,773	11,447	10,943	11,447
Purchase of fixed assets - housing properties	16	(18,926)	(32,606)	(18,756)	(32,606)
Purchase of fixed assets - other	17	(380)	(291)	(380)	(291)
Investments		7	254	7	254
Replacement of property components	16	(3,729)	(3,656)	(3,729)	(3,656)
Receipt of grant	25	933	335	933	335
Interest received	13	175	115	226	166
Net cash from investing activities		(11,147)	(24,402)	(10,756)	(24,351)
Cash flows from financing activities					
Interest paid	14	(9,836)	(8,865)	(9,836)	(8,865)
New loans - bank	28	-	8,250	-	8,250
New loans - other	28	-	40,009	-	40,009
Debt issue costs incurred	28	-	(137)	-	(137)
Repayment of loans - bank	28	(2,002)	(8,000)	(2,002)	(8,000)
Repayment of loans - other	28	-	-	-	-
Net cash used in financing activities		(11,838)	31,257	(11,838)	31,257
Net increase in cash and cash equivalents		897	34,207	1,317	33,913
Cash and cash equivalents at beginning of year		41,334	7,127	40,337	6,424
Cash and cash equivalents at end of year		42,231	41,334	41,654	40,337

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

INDEX OF NOTES

General notes

- 1 Legal status
- 2 Accounting policies
- 3 Judgements in applying accounting policies and key sources of estimation uncertainty

Statement of other comprehensive income related notes

- 4 Particulars of turnover, cost of sales, operating costs and operating surplus
- 5 Income and expenditure from social housing lettings
- 6 Turnover from non-social housing lettings
- 7 Units of housing stock
- 8 Operating surplus
- 9 Employees
- 10 Directors' remuneration
- 11 Board members
- 12 Surplus of disposal of fixed assets
- 13 Interest receivable and income from investments
- 14 Interest payable and similar charges
- 15 Taxation on surplus on ordinary activities

Balance sheet related notes

- 16 Tangible fixed assets - housing properties
- 17 Other tangible fixed assets
- 18 Investment properties
- 19 Investments - homebuy loans
- 20 Fixed asset investments
- 21 Properties for sale
- 22 Debtors
- 23 Creditors: amounts falling due within one year
- 24 Creditors: amounts falling due after more than one year
- 25 Deferred capital grant
- 26 Recycled capital grant fund
- 27 Disposal Proceeds Fund
- 28 Loans and borrowings
- 29 Financial instruments
- 30 Pension liability
- 31 Share capital
- 32 Contingent liabilities
- 33 Operating leases
- 34 Capital commitments
- 35 Related party disclosures
- 36 Post balance sheet events

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

1 Legal status

The 'Group' consists of Soha Housing Limited ('the Association') and Soha in Business.

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.

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 2017

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

When the scheme is in deficit and the group has agreed to a deficit funding arrangement, the group 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 note 30. The unwinding of the discount rate is recognised as a finance cost.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (*continued*)

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.

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.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (*continued*)

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 including roof	100
Kitchen	20
Bathroom	25
External doors	25
External windows	25
Gas or 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.

Shared ownership properties 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 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 shared 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.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

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.

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

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (*continued*)

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 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.

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.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (*continued*)

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.

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.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (*continued*)

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.

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.
- 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.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017

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

- 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.

- *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 2017 (*continued*)

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

	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	511	-	(49)	462
Other	265	-	(28)	237
	1,831	(389)	(77)	1,365
	45,568	(4,660)	(19,755)	21,153
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	35,197	-	(19,242)	15,955
Other Social Housing Activities				
First tranche low cost home ownership sales	9,983	(5,782)	-	4,201
Development administration	-	-	(171)	(171)
Leasehold services	157	-	(103)	54
Other	(15)	16	-	1
	45,322	(5,766)	(19,516)	20,040
Activities other than Social Housing Activities				
Market sales	467	(326)	(17)	124
Lettings	1,017	-	(155)	862
Other	220	-	(11)	209
	1,704	(326)	(183)	1,195
	47,026	(6,092)	(19,699)	21,235

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

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

	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
Donations from subsidiary	-	-	-	-
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	511	-	(49)	462
Other	265	-	(12)	253
	1,831	(389)	(61)	1,381
	45,568	(4,660)	(19,738)	21,170
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	35,197	-	(19,242)	15,955
Other Social Housing Activities				
First tranche low cost home ownership sales	9,983	(5,782)	-	4,201
Development administration	-	-	(171)	(171)
Leasehold services	157	-	(103)	54
Donations from subsidiary	73	-	-	73
Other	(15)	16	-	1
	45,395	(5,766)	(19,516)	20,113
Activities other than Social Housing Activities				
Market sales	-	-	-	-
Lettings	1,017	-	(155)	862
Other	220	-	(11)	209
	1,237	-	(166)	1,071
	46,632	(5,766)	(19,682)	21,184

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (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 2017 £'000	Total 2016 £'000
Income						
Rents net of identifiable service charges	32,140	535	1,837	240	34,752	33,693
Service charge income	637	8	247	1	893	952
Amortised government grants	519	9	30	4	562	552
Turnover from social housing lettings	33,296	552	2,114	245	36,207	35,197
Expenditure						
Management	(2,564)	(43)	(36)	(6)	(2,649)	(2,539)
Service charge costs	(1,209)	(66)	(227)	(5)	(1,507)	(1,629)
Routine maintenance	(5,187)	(87)	(284)	(37)	(5,595)	(5,757)
Planned maintenance	(3,732)	(63)	(213)	(28)	(4,036)	(4,876)
Bad debts	(183)	(18)	(2)	13	(190)	(135)
Depreciation of housing properties:	(4,079)	(105)	(279)	(41)	(4,504)	(4,211)
Other costs	-	-	-	-	-	(95)
Operating expenditure on social housing lettings	(16,954)	(382)	(1,041)	(104)	(18,481)	(19,242)
Operating surplus/(deficit) on social housing lettings	16,342	170	1,073	141	17,726	15,955
Void losses	(151)	(37)	-	(2)	(190)	(252)

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

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

	2017	2016
	£'000	£'000
Market rent	19	57
Student accommodation	164	567
Garages	328	393
	511	1,017

7 Units of housing stock - Group and Association

	Group		Association	
	2017	2016	2017	2016
	Number	Number	Number	Number
General needs housing:				
social	5,132	5,162	5,132	5,162
affordable	465	370	465	370
Supported housing				
social	56	57	56	57
affordable	55	30	55	30
Low cost home ownership	580	548	580	548
Keyworker accommodation				
keyworker	24	24	24	24
intermediate rent	10	10	10	10
Total social housing units	6,322	6,201	6,322	6,201
Market rent	0	5	0	15
Student accommodation	0	55	0	55
Shared equity	14	14	14	14
Total owned	6,336	6,275	6,336	6,285
Leasehold	283	264	283	257
Total managed accommodation	6,619	6,539	6,619	6,532
Units managed by other associations	6	6	6	6
Total owned and managed accommodation	6,625	6,545	6,625	6,538
Units under construction	274	229	274	229

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

8 Operating surplus

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:	4,504	4,211	4,504	4,211
Depreciation of other tangible fixed assets	274	284	274	284
Impairment of housing properties				
Amortisation of intangible assets				
Operating lease charges - land & building	23	113	23	113
Operating lease charges - other	10	19	10	19
Leasing income				
External Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	37	27	37	24
- under accrual in respect of prior year audit fees	2	11	2	8
- fees for tax computations	7	11	7	8
- fees for tax advice	5	-	5	-
- fees for other non-audit services	39	14	39	-
Internal Auditors' remuneration	37	37	37	37
Defined contribution pension cost	88	41	88	41
Defined benefit pension cost	273	1,191	273	1,191

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

9 Employees - Group and Association

	2017	2016
	£'000	£'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	3,798	3,550
Social security costs	395	324
Employer pension contributions	276	240
	4,469	4,114
Defined benefit scheme revaluation and remeasurement (note 30)	85	992
	4,554	5,106

The above amounts do not include £377k (2016: £274k) 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:

	2017	2016
	No.	No.
Office	25	25
Housing Management	55	49
Development, planned maintenance and responsive repairs	31	30
	111	104

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.

	2017	2016
	£'000	£'000
Executive directors' emoluments	463	463
Amounts paid to non-executive directors	51	50
Contribution to pension scheme	35	37
	549	550

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £143,147 (2016 - £143,077).

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:

	2017	2016
	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
Peter Miller-Smith	4,293		X
Victor Breach	8,073		
Valerie Austin	5,710		X
Harjit Sandhu	5,710	X	
Lucy Weston	5,710		X
Timothy Bolton	3,898	X	X
Nasreen Al-Hamdani	3,898		
Peter Haynes	3,898		
Valerie Kir	3,898		
Jennifer Ekelund	2,219		
Nicola Mellings	3,898	X	

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

12 Surplus on disposal of fixed assets - Group and Association

Group	Shared ownership staircasing	Other housing properties	Student Accommodation	Other tangible fixed assets	Total	Total
	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2016 £'000
Housing Properties:						
Disposal proceeds	2,089	3,684	5,000	-	10,773	11,070
Cost of disposals	(1,972)	(2,026)	(4,300)	(242)	(8,540)	(6,118)
Abortive costs	-	-	-	-	-	(14)
Selling costs	(10)	(52)	(3)	-	(65)	(23)
Grant recycled	(5)	(398)	-	-	(403)	(9)
Surplus on disposal of other tangible fixed assets	102	1,208	697	(242)	1,765	4,906

Association	Shared ownership staircasing	Other housing properties	Student Accommodation	Other tangible fixed assets	Total	Total
	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2016 £'000
Housing Properties:						
Disposal proceeds	2,089	3,854	5,000	-	10,943	11,070
Cost of disposals	(1,972)	(2,196)	(4,300)	(242)	(8,710)	(6,118)
Abortive costs	-	-	-	-	-	(14)
Selling costs	(10)	(52)	(3)	-	(65)	(23)
Grant recycled	(5)	(398)	-	-	(403)	(9)
Surplus on disposal of other tangible fixed assets	102	1,208	697	(242)	1,765	4,906

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

13 Interest receivable and income from investments - Group and Association

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Interest receivable from group undertakings	-	-	51	51
Interest receivable and similar income	177	115	177	115
	177	115	228	166

14 Interest payable and similar charges - Group and Association

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	9,642	9,588	9,642	9,588
Recycled capital grant fund	1	-	1	-
Disposal proceeds fund	1	2	1	2
Unwinding of discount in respect of defined pension liability	62	44	62	44
	9,706	9,634	9,706	9,634

15 Taxation on surplus on ordinary activities

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on surplus for the year	133	-	133	-
Total current tax	133	-	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 2017 (*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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	14,141	19,366	14,346	19,366
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2016 - 20%)	2,828	3,418	2,869	3,418
Effects of:				
Charitable not subject to tax	(2,695)	(3,418)	(2,736)	(3,418)
Tax on non-charitable activity	-	-	-	-
Adjustment to tax charge in respect of previous periods	-	-	-	-
Total tax charge for period	133	-	133	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £133,180 (2016: £NIL).

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 2017 (*continued*)

16	Tangible fixed assets - Housing properties - Group and Association					
Group	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Keyworker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost:</i>						
At 1 April 2016	455,116	14,038	35,428	2,675	3,471	510,728
Additions: - construction costs	-	15,911	-	6,999	-	22,910
- replaced components	3,811	-	-	-	-	3,811
Completed schemes	16,444	(16,444)	3,586	(3,586)	-	-
Transfer between classifications	340	-	-	-	(340)	-
Transfer to properties held for sale	-	(170)	-	(4,012)	-	(4,182)
Transfer to investment properties	(455)	-	-	-	-	(455)
Disposals: - stair-casing sales properties	-	-	(1,833)	-	-	(1,833)
- RTB property sales	(412)	-	-	-	-	(412)
- replaced components	(387)	-	-	-	-	(387)
- Other	(710)	-	-	-	(297)	(1,007)
At 31 March 2017	473,747	13,335	37,181	2,076	2,834	529,173
<i>Depreciation:</i>						
At 1 April 2016	(25,093)	-	(1,256)	-	(386)	(26,735)
Charge for the year	(4,191)	-	(279)	-	(34)	(4,504)
Eliminated on disposals:						
- property sales	123	-	42	-	73	238
- replaced components	163	-	-	-	-	163
At 31 March 2017	(28,998)	-	(1,493)	-	(347)	(30,838)
Net book value at 31 March 2017	444,749	13,335	35,688	2,076	2,487	498,335
Net book value at 31 March 2016	430,023	14,038	34,172	2,675	3,085	483,993

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 *(continued)*

Association	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Keyworker accommodation completed £'000	Total £'000
<i>Cost:</i>						
At 1 April 2016	455,116	14,038	35,428	2,675	3,471	510,728
Additions: - construction costs	-	15,741	-	6,999	-	22,740
- replaced components	3,811	-	-	-	-	3,811
Completed schemes	16,444	(16,444)	3,586	(3,586)	-	-
Transfer between classifications	340	-	-	-	(340)	-
Transfer to properties held for sale	-	-	-	(4,012)	-	(4,012)
Transfer to investment properties	(455)	-	-	-	-	(455)
Disposals: - stair-casing sales properties	-	-	(1,833)	-	-	(1,833)
- RTB property sales	(412)	-	-	-	-	(412)
- replaced components	(387)	-	-	-	-	(387)
- Other	(710)	-	-	-	(297)	(1,007)
At 31 March 2017	473,747	13,335	37,181	2,076	2,834	529,173
<i>Depreciation:</i>						
At 1 April 2016	(25,093)	-	(1,256)	-	(386)	(26,735)
Charge for the year	(4,191)	-	(279)	-	(34)	(4,504)
Eliminated on disposals:						
- property sales	123	-	42	-	73	238
- replaced components	163	-	-	-	-	163
At 31 March 2017	(28,998)	-	(1,493)	-	(347)	(30,838)
Net book value at 31 March 2017	444,749	13,335	35,688	2,076	2,487	498,335
Net book value at 31 March 2016	430,023	14,038	34,172	2,675	3,085	483,993

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

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

	2017 £'000	2016 £'000
The net book value of housing properties may be further analysed as:		
Freehold	494,803	480,448
Long leasehold	3,222	3,232
Short leasehold	310	313
	498,335	483,993

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

	2017 £'000	2016 £'000
Historic cost	322,093	346,346
Accumulated depreciation	(30,838)	(26,240)
	291,255	320,106

	2017 £'000	2016 £'000
Works to properties		
Improvements to existing properties capitalised	3,811	3,656
Major repairs expenditure to income and expenditure account	2,080	2,268
	5,891	5,924

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

	2017 £'000	2016 £'000
Capital grant - Housing Properties	51,614	50,195
Recycled Capital Grant Fund	289	526
Disposal Proceeds Fund	577	178
Revenue Grant - reserves	4,688	4,141
Revenue grant - I&E	562	552
	57,730	55,592

Housing properties accounted for under the accounting EUV-SH and at cost if brought since the last valuation:

	£'000
Valuation (at 31 March 2015)	457,068
Additions (at cost)	58,381
Disposals (at MV)	(11,551)
	503,898

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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 1st April 2014, the Group engaged Savills to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis for 31 March 2016. The 31 March 2015 valuation was reduced by 3.7% to arrive at the 1 April 2014 deemed cost. Housing properties will subsequently be measured at cost.

This valuation has been 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 4,421 units (2016: 5,603) with a net book value of £326m (2016: £405m).

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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 2016	1,815	107	3,747	5,669
Additions	-	-	478	478
Disposals	-	-	(94)	(94)
Revaluations	-	-	-	-
At 31 March 2017	1,815	107	4,131	6,053
<i>Depreciation</i>				
At 1 April 2016	(182)	(82)	(3,231)	(3,495)
Charge for year	(22)	(13)	(239)	(274)
Disposals	-	-	70	70
At 31 March 2017	(204)	(95)	(3,400)	(3,699)
<i>Net book value</i>				
At 31 March 2017	1,611	12	731	2,354
At 31 March 2016	1,633	25	516	2,174

18 Investment properties - Group and Association

	Student accommodation £'000	Market rent £'000	Commercial £'000	Land £'000	Total £'000
At 1 April 2016	4,300	1,313	-	699	6,312
Transfer from housing property	-	-	408	-	408
Sold	(4,300)	(673)	-	-	(4,973)
Revaluations	-	79	900	51	1,030
At 31 March 2017	-	719	1,308	750	2,777

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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. Details on the assumptions made and the key sources of estimation uncertainty are given in note 3.

The surplus on revaluation of investment property arising of £1.0m (Association - £1.0m) (2016: £2.7m and £2.7m respectively) has been credited to the Statement of Comprehensive Income for the year.

19 Investments - Homebuy loans - Group and Association

	2017	2016
	£'000	£'000
At 1 April	1,080	1,279
Revalued	38	55
Loans redeemed	(7)	(254)
Loans w/Off	(7)	-
At 31 March	1,104	1,080

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% (2016 - 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 2017 (*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>				
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
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress	2,213	152	2,365	2,675	-	2,675
Completed properties	875	-	875	626	-	626
	3,088	152	3,240	3,301	-	3,301

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

21 Properties for sale (continued)

ASSOCIATION	First tranche shared ownership properties	Market Sale	Total	First tranche shared ownership properties	Market Sale	Total
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress	2,076	-	2,076	2,675	-	2,675
Completed properties	875	-	875	626	-	626
	2,951	-	2,951	3,301	-	3,301

22 Debtors

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due within one year				
Rent and service charge arrears	1,020	1,034	1,020	1,034
Less: Provision for doubtful debts	(439)	(464)	(439)	(464)
	581	570	581	570
Other debtors	1,162	328	1,162	328
Amounts owed by group undertakings	-	-	6	74
Prepayments and accrued income	891	804	891	804
Recoverable VAT	30	19	28	17
	2,664	1,721	2,668	1,793
Due after one year				
Amounts owed by group undertakings	-	-	860	860
	-	-	860	860
	2,664	1,721	3,528	2,653

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

23 Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loans and borrowings (note 28)	2,103	2,026	2,103	2,026
Trade creditors	4,025	4,388	3,960	4,330
Rent and service charges received in advance	653	617	653	617
Taxation and social security	249	100	249	99
South Oxfordshire District Council -RTB proceeds	525	197	525	197
Development and maintenance accruals	2,928	3,645	2,928	3,645
Deferred capital grant (Note 25)	557	552	557	552
Other accruals and deferred income	2,163	2,207	2,158	2,201
Pension liability (Note 30)	392	378	392	378
Other creditors	3	33	3	33
	13,598	14,143	13,528	14,078

24 Creditors: amounts falling due after more than one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 28)	220,237	222,558	220,237	222,558
Deferred capital grant (Note 25)	51,058	49,643	51,058	49,643
Recycled capital grant fund (Note 26)	289	526	289	526
Disposal proceeds fund (Note 27)	577	178	577	178
Pension Liability (Note 30)	2,568	2,813	2,568	2,813
	274,729	275,718	274,729	275,718

Amounts due on all loans are secured by a fixed charge over a total of 4,421 units (2016: 5,603).

25 Deferred capital grant

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 April	50,195	45,092	50,195	45,092
Grants received during the year	1,688	5,935	1,688	5,935
Grants recycled to the RCGF and DPF	(69)	(330)	(69)	(330)
Grants recycled from the recycled capital grant fund	363	50	363	50
Released to income during the year	(562)	(552)	(562)	(552)
At 31 March	51,615	50,195	51,615	50,195

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

26 Recycled capital grant fund - Group and Association

Funds pertaining to activities within areas covered by	HCA 2017 £'000	HCA 2016 £'000
At 1 April	526	187
Inputs to fund:		
- grants recycled from deferred capital grants	69	330
- grants recycled from SHI RCGF	51	-
- grants recycled from statement of comprehensive income	5	9
- interest accrued	1	-
Recycling of grant:		
- new build	(363)	-
At 31 March	289	526
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 2017 £'000	HCA 2016 £'000
At 1 April	178	226
Inputs to fund:		
- Funds recycled from deferred capital grants	-	-
- Funds recycled from statement of comprehensive income	398	-
- interest accrued	1	2
Use / allocation of funds:		
- new build	-	(50)
At 31 March	577	178
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 2017 *(continued)*

28 Loans and borrowings - Group and Association

Maturity of debt:

	Bank loans	Capital Markets	Other loans	Financing costs	Total
	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'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

	Bank loans	Capital Markets	Other loans	Financing costs	Total
	2016 £'000	2016 £'000	2016 £'000	2016 £'000	Total 2016 £'000
In one year or less, or on demand	-	-	2,043	(17)	2,026
In more than one year but not more than two years	-	-	2,166	(17)	2,149
In more than two years but not more than five years	500	-	7,301	(51)	7,750
Five years + Instalments at an average rate of 4.2%	19,500	80,000	113,690	(531)	212,659
	20,000	80,000	125,200	(616)	224,584

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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 2017 the group had undrawn loan facilities of £25m (2016 - £25m).

29 Financial instruments

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

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historic cost				
- Trade receivables	581	570	581	570
- Other receivables	2,083	1,151	2,087	1,223
- Investments: homebuy loans	1,104	1,080	1,104	1,080
- Cash and cash equivalents	42,231	41,334	41,654	40,337
- Loans receivable	-	-	860	860
Total financial assets	45,999	44,135	46,286	44,070
Financial liabilities				
Financial liabilities measured at historic cost				
- Loans payable	222,340	224,584	222,340	224,584
Financial liabilities measured at historic cost				
- Trade creditors	4,025	4,388	3,960	4,330
- Other creditors	59,002	57,992	58,997	57,985
Total financial liabilities	285,367	286,964	285,395	286,899

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 2017 (*continued*)

30 Pension liability

	SHPS pension deficit contribution	SHPS pension deficit contribution
	2017	2016
	£'000	£'000
At 1 April 2016	3,191	2,429
Charged to income and expense		
- Additions	-	1,012
- Remeasurement (note a)	85	(20)
Unwinding of discount	62	44
Contribution paid	(378)	(274)
Utilised in year	-	-
At 31 March 2017	2,960	3,191

Note a The discount rate used in calculating the SHPS pension deficit contribution provision changed from 2.06% at 31 March 2016 to 1.33% at 31 March 2017, 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 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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

	2017	2016
	£	£
At 1 April	23	23
Shares issued in the year	1	-
Shares cancelled in the year	-	-
At 31 March	24	23

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 and from the Greater London Authority, 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 2017, the value of grant received in respect of these properties that had not been disposed of was £51.9m.

In March 2016, the High Court found against Southwark Council. Southwark Council collects payment for water and sewerage services from of its tenants on behalf of Thames Water. The court case considered whether the Council was acting as an 'agent' for Thames Water or a 'customer' under the Water Resale Order 2006. As a customer, the Council would be deemed to be reselling water services and should have passed on savings to tenants. The High Court ruled that the Council, by collecting charges for water and sewerage services from tenants on behalf of Thames Water, was re-selling water and sewerage services rather than acting as an agent.

Under the arrangement, Southwark Council pays Thames Water a quarterly lump sum, which is reduced by 5% to reflect voids and 18% for the Council's commission fee. However, these reductions were not reflected in tenants' water bills, with tenants charged the full rate. The Water Resale Order 2006 imposes maximum charges on re-sellers and allows only for modest administration charges. According to OFWAT the maximum admin charge is £5.00 per property per year. The court found that Southwark Council should have passed the commission monies on to tenants.

Soha pays Thames Water a biannual lump sum which is reduced by 1.5% for voids and 12.0% for commission fees. Soha was advised by Thames Water that its agreement is similar to Southwark Council's. Around 68 other housing associations and councils have similar agreements with Thames Water. Soha has taken advice from Devonshires, and has calculated the potential liability to be around £950k.

Soha is in consultation with its tenants regarding possible termination of the contract with Thames Water. As there is still some uncertainty around this issue, no provision of the liability has been made in the accounts.

Soha Housing Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Not later than 1 year	23	23	8	10
Later than 1 year and not later than 5 years	68	91	-	8
Later than 5 years	-	-	-	-
Total	91	114	8	18

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	
	2017	2016
	£'000	£'000
Not later than 1 year	34	31
Later than 1 year and not later than 5 years	137	125
Later than 5 years	3,168	2,907
Total	3,339	3,063

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

34 Capital commitments - Group and Association

	2017	2016
	£'000	£'000
Commitments contracted but not provided for:		
Maintenance	7,192	6,029
Construction	30,946	18,240
Commitments approved by the Board but not contracted for:		
Construction	32,471	12,887
	70,609	37,156

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 2017 (*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 £36k (2016: £35k) and the tenants had a net credit balance of £213 at the 31 March 2017 (31 March 2016: net debit balance of £307).

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Soha in Business	12	12	-	1	51	51	-	73
	12	12	-	1	51	51	-	73

Payable by Association to subsidiary:	Management charges		Other charges		Interest charges	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Soha in Business	-	-	-	-	-	-
	-	-	-	-	-	-

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 2017 (*continued*)

Intra-group loans

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement £'000	Closing balance £'000
Soha Housing	Soha in Business 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.