

Financial Conduct Authority registration number 21222R
Homes and Communities Agency registration number L0104

**CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S
HOUSING ASSOCIATION LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

INFORMATION

| | |
|--------------------------------|---|
| Directors | Rear Admiral A R Rymer (Chairman) Commander S F Carter RN Commander A E Mizen RN Air Commodore D J Hamilton-Rump RAF Colonel C E H Ackroyd TD RD DL (Appointed 25 January 2016) Mr A J Cobb (Appointed 25 January 2016) Mrs A Rodgers FCA (Appointed 28 April 2016) |
| Secretary | Commander P C Keefe RN |
| FCA registration number | 21222R |
| HCA registration number | L0104 |
| Registered office | 1 Shakespeare Terrace 126 High Street Portsmouth Hampshire PO1 2RH |
| Auditors | Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX |
| Bankers | Lloyds Bank Plc 38 London Road North End Portsmouth Hampshire PO2 0LR |
| Solicitors | Blake Morgan LLP Harbour Court Compass Road North Harbour Portsmouth Hampshire PO6 4ST |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

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CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors of CESSA Housing Association Limited (hereinafter referred to as CESSA HA or the association) present the strategic report and financial statements for the year ended 31 December 2016.

Fair review of the business

The key financial results for the year are set out on pages 8 & 9. The predicted return to a surplus of £233k reflects the successful completion of (and payment for) the St George's Court project early in the year. It does, however, also include a gain on investments of £30k over 2015's small loss. Therefore CESSA HA continues to perform well and on track in accordance with its business plan.

Principal risks and uncertainties

The Government's housing policy has continued to evolve in 2016, altering the risks. Implementation of Right to Buy has been deferred pending development of supporting policies. Although the 1% rent cut was not implemented for supported housing in 2016, it remains planned for 2017-2019 as is the intention to cap housing benefit, albeit now from 2019 but for all tenants. Although the Government has made a proposal to ameliorate the effects of the latter in 'the Future Funding of Supported Housing', unless satisfactorily resolved this is the most serious risk for the supported housing sector, particularly in low-rent areas. Apart from that, the most significant risk is assessed to be the loss of CESSAC's contract with Greenwich Hospital, because the efficiency of shared overheads would be lost and unit costs would therefore increase. This is mitigated by continually demonstrating that an excellent service is being provided. This was externally verified in 2015 and led to a new five-year agreement with Greenwich Hospital from January 2016.

The association has decided to place a portion of its cash reserves not required for immediate use in Listed Investments of medium to low risk with Charles Stanley as discretionary manager. Despite the cautious approach these still represent a higher level of risk than bank deposits, but have the potential to give a rate of return above inflation in the medium to long term, something which deposit accounts are not currently offering. Performance is reviewed at every meeting.

Development and performance

The association has spent £4m on remodelling and upgrading its schemes over the last 11 years. Although applications remain buoyant and void rates very low, there are currently no plans for expansion due to the slowly shrinking pool of eligible beneficiaries and the uncertainty generated by changes in national housing & welfare policy. The focus is instead on the improvement of the facilities and services to tenants, in which the association performs very well as evidenced throughout this report.

Other information and explanations

The association and its sister charity, CofE Soldiers', Sailors' & Airmen's Clubs (CESSAC), share a Head Office and staff, each contributing the appropriate proportion of employee and other expenses. It is for this reason that such costs shown in the association's accounts are low. A significant portion of these result from CESSAC's agreement with Greenwich Hospital to manage the latter's three sheltered housing schemes, which contain a further 91 flats. This fine example of collaborative working provides Greenwich Hospital with appropriately qualified & sympathetic housing management at reduced costs, as well as benefitting all parties including the pensioner tenants.

On behalf of the board

Commander A E Mizen RN

Director

12 April 2017

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

BOARD REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The association is a private registered provider of social housing and a charitable housing association for elderly ex-Service personnel and their families. Owning fewer than 1,000 properties, it is defined as 'small' by the Homes and Communities Agency (HCA). Its principal activities are the rental and management of 196 sheltered flats (2 of which are occupied by scheme managers) situated in five locations in Portsmouth, Southsea, Gosport and Fareham.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|-------------------------------------|-----------------------------|
| Rear Admiral A R Rymer (Chairman) | |
| Commander S F Carter RN | |
| Commander P T Mayfield RN | (Retired 22 June 2016) |
| Commander A E Mizen RN | |
| Air Commodore D J Hamilton-Rump RAF | |
| Mr B H Parsons FCA | (Retired 22 June 2016) |
| Colonel C E H Ackroyd TD RD DL | (Appointed 25 January 2016) |
| Mr A J Cobb | (Appointed 25 January 2016) |
| Mrs A Rodgers FCA | (Appointed 28 April 2016) |

All directors except Mrs Rodgers (co-opted) hold one share in the association.

Results

The results for the year are set out on page 8.

Directors' insurance

The association maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the association.

Auditor

A quinquennial review of the auditor was conducted by the directors in 2013 and a resolution proposing that Jones Avens Limited be reappointed as auditor of the association will be put to the Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the association's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the association's auditor is aware of that information.

Code of governance

The association has adopted and complied with the National Housing Federation's (NHF) 2015 Code of Governance.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

BOARD REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Board's responsibilities statement

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

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

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Assessment of compliance with the Governance and Financial viability Standard

CESSA HA is governed by its volunteer, unpaid non-executive directors in a Committee of Management, in accordance with its rules. The NHF's code of governance checklist is reviewed annually and was last completed in April 2016. The only issues from the checklist are:

- One board member exceeded nine years, whose experience continues to prove invaluable.
- The code permits the absence of a separate Finance or Audit Committee for small non-developing associations, so one FCA-qualified director supports the board in undertaking these roles. Much of the detailed performance monitoring is conducted by a sub-committee (which has tenant representation).

The Board met 4 times in 2016 with 100% attendance. The Chairman co-ordinates Board and individual performance assessment and involves all directors in this process. The Board oversees the association's compliance with the Regulator's Economic & Consumer standards. The Board certifies its compliance with the Governance & Viability standard and asserts that the association remains a going concern. The Asset & Liability Register has been updated. Regarding the Rent Standard, all but 2 of CESSA HA's tenants have Assured Tenancies, the exceptions being those of long standing who retain 'fair rents'. The Government announced at the end of January that a 1% rent cut was not required for supported housing in 2016 and therefore they could increase by 0.9% (September 2015 CPI figure (-0.1%) plus 1%. However, by this time the Board felt tenant expectation of a cut has been raised so chose to freeze rents instead. The interim rent policy has been amended for 2017 to reflect the expected 1% cut so that, over time, rents should reach the same % below the Formula Rent. Service charges are set to meet actual costs and therefore in 2016, as in previous years, some of the charges decreased slightly rather than increased.

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

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

BOARD REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Board's annual review of internal control

Board members routinely undertake internal audit activity and completely revised the policy on this in 2016, instituting a system of compliance checks beyond those previously undertaken. Specific risks are scheduled for review at each meeting so that every risk identified is covered at least once a year and any mitigation required is instigated. Stress testing has been undertaken against a combination of identified risks, but for a small sheltered housing association without mortgages and no plans to expand, there are few existential short-term threats not covered by insurance. Longer term threats included in the stress testing also are: unsustainable price inflation/wage growth or a drying up of the existing pool of applicants. The former would not be unique to the organisation (and would affect it later) and the latter could be addressed by extending the eligibility criteria. The potential effect of UK's 2016 Referendum on EU membership is being kept under review.

Assessment of how the association is achieving value for money

Overall, the directors consider CESSA HA meets the VfM standard. Their full assessment is provided on its website at: <http://www.cessaha.co.uk/annual-reports#>, a summary of which is below:

CESSA HA has a strategic approach to VfM led by the directors and championed by one of its members as the Chairman of the Housing Committee, which leads on the detailed implementation and oversight. The association is not currently looking to expand and the purpose of it making a financial return is in order to deliver the social benefit it seeks, including progressive improvement of the quality of accommodation and facilities it provides. Accordingly, the association measures its return on assets in social terms and on whether the assets are being used efficiently and effectively to that end.

Social Return on Assets: All schemes are provided with a Scheme Manager plus out-of-hours Careline service, controlled access to the building, lifts, communal laundry facilities, a communal lounge and supporting kitchen facilities & wifi, access to an elderly-friendly computer & training thereon, guest room, charging & storage facilities for mobility scooters, parking spaces, garden areas and a salon for visiting hairdressers/others. Space is provided in one scheme for a tenants' shop. The fostering of an ex-Service community in each scheme is a key aim both for tenant well-being and to attract new applicants. 30% of the Scheme Manager's time is allocated to the organisation of support for residents including social activities and no charge is made to tenants for this service. On average, CESSA HA's basic rents are about 15% below the Government's 'Formula' Rent for each flat. Low rents do not mean sacrifices elsewhere – the schemes have been remodelled and are maintained to a high standard. This has been achieved by VfM gains, low voids, high rent collection, low management costs and an appropriate proportion of planned maintenance.

Absolute & Comparative Costs: A variety of metrics are used to gauge and compare performance, particularly a benchmarking club covering the south and east of England. The association compares favourably in the Key Performance Indicators agreed by the club and shown in the full assessment.

VfM Gains: In 2012, the association redeemed its exorbitantly high interest and very long term fixed-rate mortgages and now benefits from a charitably low-interest loan from its sister charity, CESSAC. This was at only 2.5% interest for the first 5 years, extended from 2017 at this rate for a further 3. In 2013, CESSA HA achieved a grant of £160k from the Armed Forces Covenant team towards the remodelling St Georges' Court, its third project of the current Development Plan. Many other improvements have been made in other schemes whether remodelled or not, including new kitchens, double glazing, upgraded fire alarm systems, hearing induction loops and the replacement of baths by showers. In 2015 a grant was received from the Big Lottery Fund of £7,920 towards the installation of the communal computers (covered below). Achievements in 2016:

- Completed £1M remodelling of St George's Court by March 2016 on time & budget, including the addition of an ensuite facility for the guest room.
- Updated Glamis Court fire alarm to include flats & installed one shower. Replaced communal kitchen worktops/tiling at CESSAC House and fitted two electric scooter stores at St George's Court.
- Refitted the communal areas in all 5 schemes at a cost of £80k.
- Extended the offer of additional health and well-being support for tenants in all 5 schemes.
- Held joint event for CESSAC (the charity) and CESSAC House (in latter's garden) to celebrate their 125th & 40th anniversaries respectively.
- Replaced the aging minibus available to all the tenants (based at CESSAC House) and one of the maintainers' vans.
- Investigated Telecare systems and decided to ensure all schemes are able to enable tenants to purchase additional services (to be enacted in 2017).

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

BOARD REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Assessment of how the association is achieving value for money (continued)

- Assisted CESSAC House staff and tenants in obtaining a £10K grant from Tesco's Bags of Help initiative (and £6k from elsewhere) which, with some extra money from the Association, enabled the landscaping of a previously almost-unusable area into an attractive place to sit together or do some gardening in planters (without needing to stoop to the ground).
- Keeping pace with developments in policy for social housing.
- Considered expanding service as a Managing Agent for another HA.

Service delivery is a key part of delivering VfM and instituted a programme of annual independent assessment in 2015 that has rated CESSA HA to be providing an excellent service. The association carries out an annual tenant satisfaction survey and is a member of Procurement for Housing. It conducts its own health and safety and fire risk assessments, also providing this service to another HA.

Plans for 2017:

- Review its overarching strategy to the delivery of its objects and develop a strategy for the Association's next project(s): particularly whether to seek to expand and what to do with the remaining un-remodelled scheme.
- Keep abreast of, and attempt to influence, the Government's policy for social housing, including Right to Buy, the potential charging of fees by the regulator and the Future Funding of Supported Housing. Meanwhile it is expected that the 1% cut in rents for existing tenants will be enacted on 1 April 2017.
- Replace Dhekelia Court boiler with 2, updating the water tank system & installing LED emergency lighting.
- Install powered front doors to remaining 4 schemes.
- Replace the wall-cavity insulation on one side of Trafalgar Court.
- Expand co-operation with local sheltered housing associations to share costs and gain additional income through providing them H&S services.
- Upgrade the Telecare system in Dhekelia Court and then publicise tenants' ability to purchase additional services in all schemes.

2017 will be affected by the mandated 1% cut in basic rent, but ameliorated by the higher amount charged to new tenants so that the surplus is predicted to remain healthy. CESSA HA will continue to ensure the best possible use is made of the resources by listening to the feedback from tenants and other stakeholders. It will use this information in planning and delivering its long term refurbishment programme and excellent services to tenants.

On behalf of the board

Commander A E Mizen RN
Director

12 April 2017

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Church of England Soldiers', Sailors' and Airmen's Housing Association Limited for the year ended 31 December 2016 set out on pages 8 to 27. 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), including Financial Reporting Standard 102.

This report is made solely to the housing association's members, as a body, in accordance with 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 directors and auditor

As explained more fully in the Board's Responsibilities Statement the directors 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 Auditing Practices Board's Ethical Standards for Auditors, including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 25 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Jones Avens Limited

12 April 2017

**Chartered Accountants
Statutory Auditor**

Piper House
4 Dukes Court
Bognor Road
Chichester
West Sussex
PO19 8FX

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME (including Income and Expenditure Account) FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 £ | 2015 £ |
|---|----------|-----------|-------------|
| Turnover | 3 | 1,168,436 | 1,121,898 |
| Administrative expenses | | (950,892) | (1,134,762) |
| Operating surplus/(deficit) | 5 | 217,544 | (12,864) |
| Interest receivable and similar income | 8 | 11,631 | 11,025 |
| Interest payable and similar expenses | 9 | (19,318) | (17,042) |
| Fair value gains and losses on investments | 10 | 23,840 | (5,659) |
| Surplus/(deficit) before taxation | | 233,697 | (24,540) |
| Taxation | 11 | - | - |
| Surplus/(deficit) for the financial year | | 233,697 | (24,540) |
| Total comprehensive income for the year | | 233,697 | (24,540) |

The Income and Expenditure Account has been prepared on the basis that all operations are continuing operations.

Signed on behalf of the board

Rear Admiral A R Rymer (Chairman)
Director

Mrs A Rodgers FCA
Director

Commander P C Keefe RN
Secretary

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

| | Notes | 2016 | | 2015 | |
|--|-------|----------|------------------|-----------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 12 | | 3,628,438 | | 3,595,766 |
| Investments | 13 | | 278,036 | | 248,035 |
| | | | <u>3,906,474</u> | | <u>3,843,801</u> |
| Current assets | | | | | |
| Debtors | 15 | 7,495 | | 11,178 | |
| Cash at bank and in hand | | 796,159 | | 739,486 | |
| | | | <u>803,654</u> | | <u>750,664</u> |
| Creditors: amounts falling due within one year | 16 | (96,316) | | (128,077) | |
| Net current assets | | | <u>707,338</u> | | <u>622,587</u> |
| Total assets less current liabilities | | | 4,613,812 | | 4,466,388 |
| Creditors: amounts falling due after more than one year | 17 | | (2,909,034) | | (2,976,308) |
| Provisions for liabilities | 21 | | (355,000) | | (374,000) |
| Net assets | | | <u>1,349,778</u> | | <u>1,116,080</u> |
| Capital and reserves | | | | | |
| Called up share capital | 22 | | 21 | | 20 |
| Income and expenditure reserve | | | 1,349,757 | | 1,116,060 |
| Total equity | | | <u>1,349,778</u> | | <u>1,116,080</u> |

The financial statements were approved by the board of directors and authorised for issue on 12 April 2017 and are signed on its behalf by:

Rear Admiral A R Rymer (Chairman)
Director

Mrs A Rodgers FCA
Director

Commander P C Keefe RN
Secretary

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | Share capital £ | Income and expenditure reserve £ | Total £ |
|---|-------|--------------------|-------------------------------------|------------|
| Balance at 1 January 2015 | | 15 | 1,140,600 | 1,140,615 |
| Period ended 31 December 2015: | | | | |
| Deficit and total comprehensive income for the year | | - | (24,540) | (24,540) |
| Issue of share capital | 22 | 5 | - | 5 |
| Balance at 31 December 2015 | | 20 | 1,116,060 | 1,116,080 |
| Period ended 31 December 2016: | | | | |
| Surplus and total comprehensive income for the year | | - | 233,697 | 233,697 |
| Issue of share capital | 22 | 1 | - | 1 |
| Balance at 31 December 2016 | | 21 | 1,349,757 | 1,349,778 |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 £ | £ | 2015 £ | £ |
|---|-------|-----------|---|-----------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 24 | 223,428 | | 108,957 | |
| Interest paid | | (10,318) | | (11,042) | |
| Net cash inflow from operating activities | | 213,110 | | 97,915 | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (133,178) | | (228,228) | |
| Proceeds on disposal of tangible fixed assets | | 1,000 | | - | |
| Proceeds on disposal of fixed asset investments | | 10,019 | | 6,712 | |
| Purchase of fixed asset investments | | (16,180) | | (10,966) | |
| Interest received | | 4,125 | | 6,719 | |
| Dividends received | | 7,579 | | 5,457 | |
| Net cash used in investing activities | | (126,635) | | (220,306) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 1 | | 5 | |
| Repayment of borrowings | | (29,803) | | (29,076) | |
| Net cash used in financing activities | | (29,802) | | (29,071) | |
| Net increase/(decrease) in cash and cash equivalents | | 56,673 | | (151,462) | |
| Cash and cash equivalents at beginning of year | | 739,486 | | 890,948 | |
| Cash and cash equivalents at end of year | | 796,159 | | 739,486 | |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Information

Church of England Soldiers', Sailors' and Airmen's Housing Association Limited is a Co-operative and Community Benefit Society and a private registered provider of social housing in the United Kingdom. The registered office is 1 Shakespeare Terrace, 126 High Street, Portsmouth, Hampshire, PO1 2RH. The nature of the association's operations and principal activities are the rental and management of social housing sheltered flats.

The association constitutes a public benefit entity as defined by FRS 102.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice for Social Housing Providers 2014 (SORP), and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the association. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants and the amortisation of government grants.

Interest income is recognised using the effective interest method and dividend income is recognised as the association's right to receive payment is established.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

Tangible fixed assets (including social housing properties) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

| | |
|-----------------------------|---|
| Freehold land and buildings | Up to one hundred years straight line basis |
| Fixtures and fittings | Ten years straight line basis |
| Computers | Four years straight line basis |
| Vehicles | Ten years straight line basis |

Freehold land and assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in income and expenditure.

Major components of housing properties, including roofs (70 years), double glazing (30 years), boilers and heating (15 to 30 years), bathrooms (30 years), kitchens (30 years), lifts (25 years) and electrics (40 years), have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives and are included in housing properties.

The useful economic lives of all tangible fixed assets are reviewed annually.

1.5 Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is considered at scheme level. The key indicators considered are:

- A change in demand for a property.
- Obsolescence of a property.
- A change in government policy.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income. No such indications were noted and therefore no review was considered necessary.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.7 Financial instruments

The association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the association's balance sheet when the association becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets

Basic financial assets, which include rent arrears and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through income and expenditure are measured at fair value.

Other financial assets

Other financial assets, including investments in equity instruments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Rent arrears, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in income and expenditure.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through income and expenditure are measured at fair value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the association after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the association's obligations are discharged, cancelled, or they expire.

1.8 Taxation

The association has charitable status with HM Revenue and Customs and no charge to Corporation Tax arises on these results. Deferred tax is therefore also not applicable.

The association is not registered for VAT and all expenditure is shown inclusive of VAT.

1.9 Provisions

Provisions are recognised when the association has a legal or constructive present obligation as a result of a past event, it is probable that the association will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Payments are also made to a multi-employer defined benefit scheme, but due to the nature of the scheme it is not possible to identify on a reasonable and consistent basis the share of the underlying assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.12 Government grants

Social housing or other government grants are received to finance social housing properties. These grants are recognised at the fair value of the asset received or receivable. Where the assets are accounted for using the cost model then the government grant is accounted for using the accruals model. The difference between the fair value of the asset and the consideration is recognised as a liability and amortised over the useful economic life of the asset. This amortisation is recognised within turnover.

Under certain circumstances, primarily following the sale of a property, the grant is repayable or recyclable but this is often restricted to the net proceeds of sale. Where government grants are required to be recycled, a liability is included to recognise this obligation.

Government grants received as a contribution to revenue expenditure are recognised in the statement of comprehensive income on a systematic basis over the period in which the landlord recognises the related costs for which the grant is intended to compensate. The related expenditure is included under administrative expenses. Grants are recognised in the same period as the related expenditure provided the conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.

2 Judgements and key sources of estimation uncertainty

In the application of the association's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Pension scheme deficit payments

The association participates in a multi-employer pension scheme which is in deficit. Provision has been made for the deficit contributions payable and the board have relied upon the information received from the Pensions Trust.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Estimated useful lives

The useful life of housing properties and their components has been estimated using the National Housing Federation matrix of property components as a basis.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Social housing turnover and costs

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Rents receivable excluding service charges | 741,153 | 708,769 |
| Service charges receivable | 367,222 | 362,832 |
| Guest room income receivable | 3,800 | 3,140 |
| Other sundry income | 3,535 | 2,511 |
| Revenue grants receivable | 16,000 | 7,920 |
| Amortisation of capital grants | 36,726 | 36,726 |
| | <u>1,168,436</u> | <u>1,121,898</u> |
| Social housing activity expenditure | (950,892) | (1,134,762) |
| | <u>217,544</u> | <u>(12,864)</u> |
| Operating surplus/(deficit) from social housing activities | | |
| | <u>233,697</u> | <u>(24,540)</u> |
| Void losses | (8,555) | (18,477) |

4 Accommodation owned and in management

| | Number of units at 31 December 2016 | Number of units at 31 December 2015 |
|--------------------------------------|--|--|
| Completed units: | | |
| Sheltered housing let at social rent | 194 | 194 |
| | <u>194</u> | <u>194</u> |

The association also owns an additional 2 warden flats in the above schemes.

5 Operating surplus/(deficit)

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| Operating surplus/(deficit) for the year is stated after charging/(crediting): | | |
| Remuneration, exclusive of VAT, payable to the external auditors: | | |
| Auditing of the accounts | 3,740 | 3,660 |
| Accountancy services | 1,078 | 1,828 |
| Depreciation of owned tangible fixed assets | 100,267 | 100,391 |
| Surplus/(deficit) on disposal of tangible fixed assets | (761) | 8,256 |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

6 Employees

The average monthly number of persons (including members of the executive team) employed by the association during the year was:

| | 2016 | 2015 |
|--|---------------|---------------|
| | Number | Number |
| Management | 5 | 5 |
| Scheme managers | 5 | 5 |
| Cleaners | 10 | 10 |
| Maintainers | 2 | 2 |
| | <u>22</u> | <u>22</u> |
| | <u>22</u> | <u>22</u> |
| Average full time equivalent (based on a 35 hour week) | 14 | 14 |
| | <u>14</u> | <u>14</u> |

Their aggregate remuneration comprised:

| | 2016 | 2015 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 277,898 | 273,603 |
| Social security costs | 19,226 | 17,429 |
| Pension costs | 16,688 | 12,834 |
| | <u>313,812</u> | <u>303,866</u> |
| | <u>313,812</u> | <u>303,866</u> |

There are no employees who received more than £60,000 as their employee package.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

| 7 Board and key management personnel remuneration | 2016 £ | 2015 £ |
|---|---------------|---------------|
| Remuneration for qualifying services | 18,471 | 17,613 |
| Association pension contributions to defined contribution schemes | 1,594 | 762 |
| | <u>20,065</u> | <u>18,375</u> |

No remuneration was receivable by non-executive board members.

The highest paid director received £18,471 (2015 - £17,613) remuneration (excluding pension contributions).

For the purposes of the above disclosures, "Director" also includes the Chief Executive and any other person who is a member of the executive management team, or its equivalent, of the association.

After deducting recharges of £49,367 (2015 - £46,657) to the Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC, a related party), emoluments (excluding pension and national insurance contributions) incurred in respect of the Chief Executive, were £18,471 (2015 - £17,613). The Chief Executive is an ordinary member of the association's pension scheme (The Social Housing Pension Scheme administered by The Pension Trust) carrying no special terms. He received an estimated pension contribution of £1,594 (2015 - £762) from the association during the year after apportionment with CESSAC who contributed a further £4,261 (2015 - £2,018). He has no other individual pension arrangement to which the association makes a contribution. The increased pension contribution was caused by the Chief Executive transferring from the Defined Benefit scheme to the less valuable Defined Contribution scheme; although this is more expensive for future contributions it reduces the risk of increasing the deficit.

| 8 Interest receivable and similar income | 2016 £ | 2015 £ |
|--|---------------|---------------|
| Interest income | | |
| Interest on bank deposits | 4,052 | 5,568 |
| Other income from investments | | |
| Dividends received | 7,579 | 5,457 |
| | <u>11,631</u> | <u>11,025</u> |

Investment income includes the following:

| | | |
|--|--------------|--------------|
| Interest on financial assets not measured at fair value through income and expenditure | <u>4,052</u> | <u>5,568</u> |
|--|--------------|--------------|

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Interest payable and similar expenses

| | 2016 | 2015 |
|--|---------------|---------------|
| | £ | £ |
| Interest on financial liabilities measured at amortised cost: | | |
| Other interest on financial liabilities | 10,318 | 11,042 |
| Other finance costs: | | |
| Unwinding of discount on provisions | 9,000 | 6,000 |
| | <u>19,318</u> | <u>17,042</u> |

10 Amounts written off investments

| | 2016 | 2015 |
|--|---------------|----------------|
| | £ | £ |
| Fair value gains/(losses) on financial instruments | | |
| Change in value of financial assets held at fair value through income and expenditure | 24,603 | (5,476) |
| Other gains/(losses) | | |
| Loss on disposal of financial assets held at fair value through income and expenditure | (763) | (183) |
| | <u>23,840</u> | <u>(5,659)</u> |

11 Taxation

The association has charitable status with HM Revenue & Customs and on the basis of these financial statements no provision has been made for corporation tax.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Tangible fixed assets

Housing properties

| | Housing properties for letting £ |
|---|-------------------------------------|
| Cost | |
| At 1 January 2016 | 5,448,959 |
| Additions: works to existing properties | 29,490 |
| Disposals | (799) |
| At 31 December 2016 | <u>5,477,650</u> |
| Depreciation and impairment | |
| At 1 January 2016 | 1,864,884 |
| Depreciation charged in the year | 87,881 |
| Eliminated in respect of disposals | (560) |
| At 31 December 2016 | <u>1,952,205</u> |
| Carrying amount | |
| At 31 December 2016 | <u><u>3,525,445</u></u> |
| At 31 December 2015 | <u><u>3,584,075</u></u> |

Other

| | Fixtures and fittings £ | Computers £ | Vehicles £ | Total £ |
|------------------------------------|----------------------------|-----------------|----------------------|-----------------------|
| Cost | | | | |
| At 1 January 2016 | 144,592 | 5,778 | 45,137 | 195,507 |
| Additions | 80,292 | - | 23,396 | 103,688 |
| Disposals | (21,220) | - | (35,796) | (57,016) |
| At 31 December 2016 | <u>203,664</u> | <u>5,778</u> | <u>32,737</u> | <u>242,179</u> |
| Depreciation and impairment | | | | |
| At 1 January 2016 | 132,901 | 5,778 | 45,137 | 183,816 |
| Depreciation charged in the year | 10,046 | - | 2,340 | 12,386 |
| Eliminated in respect of disposals | (21,220) | - | (35,796) | (57,016) |
| At 31 December 2016 | <u>121,727</u> | <u>5,778</u> | <u>11,681</u> | <u>139,186</u> |
| Carrying amount | | | | |
| At 31 December 2016 | <u><u>81,937</u></u> | <u><u>-</u></u> | <u><u>21,056</u></u> | <u><u>102,993</u></u> |
| At 31 December 2015 | <u><u>11,691</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>11,691</u></u> |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

| | | |
|---|-------------------|-------------------|
| 13 Fixed asset investments | | |
| | 2016 | 2015 |
| | £ | £ |
| Listed investments | 278,036 | 248,035 |
| | <u> </u> | <u> </u> |
| Listed investments included above: | | |
| Listed investments carrying amount | 278,036 | 248,035 |
| | <u> </u> | <u> </u> |
| | | |
| Movements in fixed asset investments | | Shares |
| | | £ |
| Cost or valuation | | |
| At 1 January 2016 | | 248,035 |
| Additions | | 16,180 |
| Valuation changes | | 24,603 |
| Disposals | | (10,782) |
| | | <u> </u> |
| At 31 December 2016 | | 278,036 |
| | | <u> </u> |
| Carrying amount | | |
| At 31 December 2016 | | 278,036 |
| | | <u> </u> |
| At 31 December 2015 | | 248,035 |
| | | <u> </u> |
| | | |
| 14 Financial instruments | | |
| | 2016 | 2015 |
| | £ | £ |
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 2,456 | 2,791 |
| Instruments measured at fair value through income and expenditure | 278,036 | 248,035 |
| | <u> </u> | <u> </u> |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 407,121 | 469,430 |
| | <u> </u> | <u> </u> |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Debtors

| | 2016 | 2015 |
|---|--------------|---------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Social housing rent arrears | 34 | 296 |
| Other debtors | 2,422 | 2,495 |
| Prepayments | 5,039 | 8,387 |
| | <u>7,495</u> | <u>11,178</u> |

16 Creditors: amounts falling due within one year

| | Notes | 2016 | 2015 |
|-----------------------|-------|---------------|----------------|
| | | £ | £ |
| Loans and overdrafts | 18 | 30,548 | 29,803 |
| Government grants | 19 | 36,726 | 36,726 |
| Rents paid in advance | | 146 | 673 |
| Accruals | | 28,896 | 60,875 |
| | | <u>96,316</u> | <u>128,077</u> |

17 Creditors: amounts falling due after more than one year

| | Notes | 2016 | 2015 |
|-------------------|-------|------------------|------------------|
| | | £ | £ |
| Other borrowings | 18 | 347,531 | 378,079 |
| Government grants | 19 | 2,561,503 | 2,598,229 |
| | | <u>2,909,034</u> | <u>2,976,308</u> |

Amounts included above which fall due after five years are as follows:

| | | |
|------------------------|----------------|----------------|
| Payable by instalments | 217,509 | 251,227 |
| | <u>217,509</u> | <u>251,227</u> |

18 Loans and overdrafts

| | 2016 | 2015 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Other loans | 378,079 | 407,882 |
| | <u>378,079</u> | <u>407,882</u> |
| Payable within one year | 30,548 | 29,803 |
| Payable after one year | 347,531 | 378,079 |
| | <u>378,079</u> | <u>407,882</u> |

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Loans and overdrafts (Continued)

The above long term funding is an unsecured loan from CESSAC at an interest rate of 2.5% (fixed for five years from 1 March 2012), the loan is repayable by 31 December 2027.

19 Government grants

Deferred income is included in the financial statements as follows:

| | 2016 £ | 2015 £ |
|---------------------------|------------------|------------------|
| Current liabilities | 36,726 | 36,726 |
| Non-current liabilities | 2,561,503 | 2,598,229 |
| | <u>2,598,229</u> | <u>2,634,955</u> |
| | <u>2,598,229</u> | <u>2,634,955</u> |
| | 2016 £ | 2015 £ |
| At 1 January 2016 | 3,672,646 | 3,672,646 |
| At 31 December 2016 | <u>3,672,646</u> | <u>3,672,646</u> |
| | <u>3,672,646</u> | <u>3,672,646</u> |
| Amortisation | | |
| At 1 January 2016 | 1,037,691 | 1,000,965 |
| Amortised during the year | 36,726 | 36,726 |
| | <u>1,074,417</u> | <u>1,037,691</u> |
| At 31 December 2016 | <u>1,074,417</u> | <u>1,037,691</u> |
| | <u>1,074,417</u> | <u>1,037,691</u> |
| Carrying amount | | |
| At 31 December 2016 | <u>2,598,229</u> | <u>2,634,955</u> |
| | <u>2,598,229</u> | <u>2,634,955</u> |

Deferred income is comprised of social housing government grants which are amortised over the useful economic of the assets which they finance. Included above are amounts which fall due to be amortised after five years totalling £2,414,599 (2015: £2,451,325).

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Retirement benefit schemes

SCHEME: TPT Retirement Solutions – Social Housing Pension Scheme

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 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 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 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)

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 association 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.

Present value of provision £355k (2015: £374k) see note 21.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Provisions for liabilities

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Pension scheme deficit contribution provision | 355,000 | 374,000 |
| Reconciliation of opening and closing provisions | | |
| At 1 January 2016 | 374,000 | 303,000 |
| Remeasurements - amendments to the contribution schedule | - | 104,000 |
| Remeasurements - impact of any change in assumptions | 14,000 | (5,000) |
| Deficit contribution paid | (42,000) | (34,000) |
| Unwinding of the discount factor (interest expense) | 9,000 | 6,000 |
| At 31 December 2016 | 355,000 | 374,000 |
| Income and expenditure impact | | |
| Interest expense | 9,000 | 6,000 |
| Remeasurements – impact of any change in assumptions | 14,000 | (5,000) |
| Remeasurements – amendments to the contribution schedules | - | 104,000 |
| Contributions paid in respect of future service | 16,688 | 12,834 |
| Costs recognised in income and expenditure account | 39,688 | 117,834 |
| Assumptions | | |
| Rate of discount | 1.45% | 2.48% |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

22 Share capital

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Ordinary share capital issued and fully paid | | |
| Brought forward | 20 | 15 |
| Issued during the year | 1 | 5 |
| 21 Ordinary of £1 each | 21 | 20 |

These shares do not carry any right to a dividend, cannot be redeemed and do not give any provision for a distribution on a winding up. All members are entitled to vote at General Meetings.

CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

| 23 Capital commitments | 2016 | 2015 |
|---|-------------------|-------------------|
| | £ | £ |
| At 31 December 2016 the association had capital commitments as follows: | | |
| Contracted for but not provided in the financial statements: | | |
| Improvements and conversions to existing properties | - | 108,756 |
| | <u> </u> | <u> </u> |
| The above expenditure will be funded by cash reserves. | | |
| 24 Cash generated from operations | 2016 | 2015 |
| | £ | £ |
| Surplus/(deficit) for the year | 233,697 | (24,540) |
| Adjustments for: | | |
| Finance costs recognised in income and expenditure | 19,318 | 17,042 |
| Investment income recognised in income and expenditure | (11,631) | (11,025) |
| (Gain)/loss on disposal of tangible fixed assets | (761) | 8,256 |
| Depreciation and impairment of tangible fixed assets | 100,267 | 100,391 |
| Fair value gains and losses on investments | (23,840) | 5,659 |
| (Decrease)/increase in provisions | (28,000) | 65,000 |
| Movements in working capital: | | |
| Decrease in debtors | 3,610 | 3,158 |
| (Decrease) in creditors | (32,506) | (18,258) |
| (Decrease) in deferred income | (36,726) | (36,726) |
| | <u> </u> | <u> </u> |
| Cash generated from operations | <u>223,428</u> | <u>108,957</u> |
| 25 Auditor's ethical standards | | |

In common with many associations of our size and nature we use our auditors to assist with the preparation of the statutory financial statements.