

Financial Conduct Authority registration number 21222R
Registered Provider number L0104

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

INFORMATION

Directors Rear Admiral A R Rymer (Chairman)
Colonel C E H Ackroyd TD RD DL
Mr A J Cobb
Air Commodore D J Hamilton-Rump RAF
Commander A E Mizen RN
Mrs A C Rodgers FCA

Secretary Commander P C Keefe RN

FCA registration number 21222R

Registered Provider 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 2018

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 2018.

Fair review of the business

The key financial results for the year are set out on pages 10 & 11. The surplus of £224k was reduced by a fall in value of investments and the increase in pension deficit provision following the triennial valuation. Nevertheless, CESSA HA continues to perform well and is on track in accordance with its business plan.

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.

Principal risks and uncertainties

The risk from changes in the Government's Housing policies reduced this year, particularly with confirmation that 'Sheltered Rent' will not be introduced and that existing arrangements will continue. Accordingly basic rents should increase again from 1 April 2020 at CPI plus 1% and there is clarity about the future. 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 holds 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. Risk is also mitigated by spreading money between several FSCS-eligible institutions.

Development and performance

The association priority is the sustainability of its current schemes and to this end it has spent over £4m on remodelling and upgrading since 2002 and is about to undertake its final such project with existing stock. Applications remain buoyant and void rates very low, so development should be considered once remodelling is complete.

Strategic Objectives

Our short term objective (2017/18) was to review the Business Plan to ensure a sustainable future. This was completed once the Government clarified its intentions for the Future Funding of Supported Housing & the policy for social rent in the summer. The objective for 2019/20 is to undertake remodelling at the last scheme with a majority of studio flats (Dhekelia Court). Our medium term objective is to improve the service and VfM offered to all beneficiaries. Our long term objective (5 years) is to identify demand and opportunities to expand our provision. Note: the association's focus is to provide sheltered housing for ex-Services personnel and their dependants in suitably-sized schemes that support the provision of a Scheme Manager. Like for many housing associations of similar scale there are practical reasons for focussing on a specific geographic area within sensible reach of the Head Office. Sheltered accommodation implicitly meets the needs of older people, who have an increased risk of health and mobility issues. The association's schemes foster a sense of community to combat loneliness and are dementia-friendly. There has also been a programme of improving the ratio of double to single flats, to reflect increased longevity and its effect on the number of couples seeking accommodation, as well as providing some flats suitable for wheelchair users.

On behalf of the board

Commander A E Mizen RN
Director

10 April 2019

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

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. Owing fewer than 1,000 properties, it is defined as 'small' by the Regulator of Social Housing. Its principal activities are the rental and management of 196 sheltered flats 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)

Colonel C E H Ackroyd TD RD DL

Commander S F Carter RN

(Resigned 5 March 2019)

Mr A J Cobb

Air Commodore D J Hamilton-Rump RAF

Commander A E Mizen RN

Mrs A C Rodgers FCA

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

Results

The results for the year are set out on page 10.

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 2018 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.

Board's annual review of internal control

Board members routinely undertake internal audit activity and monitor the result of staff's compliance checks. 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 the UK's future relationship with the EU is being kept under review.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of directors' responsibilities

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.

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.

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 2018. 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 2018 with 86% attendance (one Director missed 2 meetings for health reasons). 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 1 of CESSA HA's tenants have Assured Tenancies, the exception being one of long standing who retains a 'fair rent'. The association complied with the Government's 1% rent cut for existing tenants on 1 April 2018. However, basic rent income overall was maintained through the interim rent policy, which sets rents for new tenants closer to Formula Rent. Service charges are set to meet actual costs and therefore in 2018, as in previous years, some of the charges decreased slightly rather than increased.

Assessment of how the association is achieving value for money

Overall, the directors consider CESSA HA meets the VfM standard, and have a strategic approach to VfM championed by one of its members as the Chairman of the Housing Committee, which leads on the detailed implementation and oversight. VfM is therefore embedded in the Board and cascaded down the association to grow a culture of efficiency, effectiveness and economy. CESSA HA aims to deliver the best possible use of the resources by ensuring the following are taken into account:

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

- Economy - careful use of resources to save expense, time or effort (whether in the interests of CESSA HA (rent) or its tenants (service charge));
- Efficiency - delivering the same level of service for lower cost, less time or effort;
- Effectiveness - delivering a better service or getting a higher return for the same amount of expense, time or effort.

The importance of ensuring that how it delivers VfM is optimised by:

- Doing the right things – having a business strategy that focuses resources on the right activities by making informed choices to achieve its priorities.
- Ensuring it has the right physical and human assets for the right cost.
- Delivering efficiently and effectively, especially with regard to property improvements and enhancing service delivery. It is important that it upgrades its properties in order to remain attractive for applicants, but to do so with the minimum disruption to tenants and at costs that deliver best value. Effective delivery of services means that it includes tenants' views in all major issues that may affect them.
- Using the right tools to evaluate success and apply learning – to check it has delivered the right outcomes, including any annual surpluses and efficiency gains for reinvestment in its aims and objectives.

CESSA HA aims to provide a choice of high quality sheltered housing for its beneficiaries as charitably as possible, while promoting tenant well being, independence and mutual support. Accordingly it wants to produce as much value as possible for the money and resources at its disposal. For a number of years, CESSA HA's Strategic Plan has been based on the fact that the ex-Service community is shrinking and that there is poor information about likely demand for sheltered housing, especially by location. For this reason CESSA HA had not been planning to expand the number of flats it offers so has not set basic rents as high as permitted by the Formula. Instead it has focussed on delivery of the social benefit it seeks by improving:

- the quality of its schemes, including about £4m on remodelling since 2002 – which has led to a reduction in the number of flats to increase the proportion for couples and disabled persons,
- the quality and breadth of services offered to its tenants,
- the resourcing of its staff including their training.

Assets. Our schemes and their flats are the foundations of the association so we must manage these effectively in order to provide the most efficient operational performance and enable both the provision of great services to our residents as well as to invest in the future. We take a strategic approach to managing our schemes to make sure we're consistent in our investment decisions. The basis of this approach is having a clear understanding of the performance of our flats/schemes from a financial, resident and social perspective, and using this information to make the right investment choice to improve the overall value. This has led to the recent careful analysis of the future of Dhekalia Court (including the use of external advisors) resulting in the decision to remodel 5 pairs of the 13 bedsits into 5 double flats.

Procurement. Supplier relationship and contract management is a key driver to delivering additional savings, as well as lower costs for the association and our residents. It complements direct procurement savings and contributes to the overall savings target.

Social value. We consider the social value of our homes so that we can deliver increased savings to both the public purse and our tenants. One way of measuring the social value delivered is by assessing how much the association saves its tenants (or the country for those on benefits) compared with accommodation in the private rented sector. The most recent Private Rental Market Statistics from the Valuation Office Agency (1 Apr 17 to 31 Mar 18) show that the association's comparable basic rents for new lettings were significantly lower - about 54%. An additional benefit for the association's tenants over private renting is the significantly greater security of tenure (as well as an acute focus on quality of service rather than making a profit). We also give tenants regular opportunities over a coffee to meet with us (every 8 weeks), to discuss the services we deliver and how they could be enhanced, as well as conducting an annual satisfaction survey.

Resident value. We look to deliver value to our residents, both in terms of direct savings and improvements to their well-being. We have continued to invest in our communities and provided assistance to help residents sustain their tenancies, including by reducing running costs.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

This year has seen a significant saving for tenants at Trafalgar Court, since the retiring full-time manager was replaced by a part-time one, shared with a similar-sized scheme.

Our performance. Investing in our homes makes sense, resulting in better living standards for our residents as well as maintaining the value of our assets. What we have spent on major/capitalised investments such as new kitchens, bathrooms, windows and heating systems, planned and responsive maintenance over the last few years is shown below. It is an accepted maxim that planned work is more efficient than responsive therefore a lower ratio of responsive : planned maintenance is considered better (Sector Scorecard SS 403). The 2017 SS for HAs with a high proportion of HfOP had a median of 0.43. The association has improved its ratio significantly since 2013, although 2014-16 includes significant expenditure on remodelling. The 2017 figure would have been 0.33 but for an unanticipated £20k spent on the fire alarm system at Glamis.

	2013	2014	2015	2016	2017	2018
Responsive maintenance	£48,477	£69,615	£39,798	£38,404	£70,120	£42,999
Cyclical (Planned)	£31,962	£33,768	£64,066	£83,956	£7,654	£74,973
Major (Planned)	£31,186	£267,307	£214,679	£86,184	£43,525	
Capitalised (Planned)	£13,826	£158,655	£228,228	£29,490	£102,538	£122,058
Responsive / Planned	0.63	0.15	0.08	0.19	0.46	0.22

Investing in our people. We know that providing learning and development opportunities for our people is an investment in our future. This was demonstrated in 2018 when one of our former cleaners, who went on to complete our apprenticeship programme, filled a Scheme Manager vacancy. This year has also seen the addition of a new post of Tenant Services Manager (TSM) to address the longstanding excessive work required in Head Office. We have also supported staff to gain professional Housing qualifications, as well as delivered team training on: building their own team identity; the professionalism required in scheme-based roles; the recognition of Domestic Abuse and support for tenants experiencing it. This work will continue in 2019.

Our working environment. A key aim of our new strategy is to deliver a workplace and office portfolio that is fit for the future and a key enabler for achieving a modern connected business. This year saw the refurbishment of the Head Office, while next year should see the replacement of the IT system.

The association has measured its return on assets in social terms and on whether they 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 (where there are fewer shops and buses than there used to be). 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 organisation of support for tenants including social activities and no charge is made to tenants for this service. On average, CESSA HA's basic rents are about 14% 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. We are also proud to be a Dementia Friendly organisation and to fund an Additional Support service via a local contractor. The latter provides periods of companionship for tenants with support needs and enables them to access social inclusion activities they could not otherwise participate in, such as shopping trips and visits to cafes.

Absolute & Comparative Costs: The association uses a variety of metrics to gauge and compare its performance. It participates in an Acuity benchmarking club covering the south and east of England where it can compare with other organisations delivering similar sheltered housing services. Inevitably there are differences in the way that members of the club work and CESSA HA has a particular client group (elderly ex-Service). Nevertheless the association compares favourably in the key performance indicators reported by the club that include the RHS's (Regulator for Social Housing) 7 key metrics as displayed below with commentary underneath.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Key metric	RSH	2017	2017 quartile	2018
		Stock managed (number of units)	196	196
		Turnover £'000	1,151	1,145
6	101	Operating margin (overall) %	27.77	1
	102	Operating margin (social housing lettings) %	27.77	1
4	103	EBITDA MRI (as a percentage of interest) %	2,005	N/A
3	203	Gearing (RSH and Scorecard measure) %	(12.05)	N/A
2	204	New supply delivered (Social housing units) %	1.02	2
	205	New supply delivered (Non-social housing units) %	-	1
1	304	Reinvestment %	1.86	2
7	401	Return on Capital Employed (ROCE) %	6.52	1
5	501	Headline social housing cost per unit £	4,252	1
				4,297

Metric 1 has been introduced in a lull between major reinvestment in schemes since the most recent remodelling completed in 2016, many years in the last decade would have shown much higher %s. The association has not been developing for many years and therefore several of the metrics demonstrate this (2, 3, 4). However, note 2 flats formerly occupied by Scheme Managers were made available to tenants at the end of 2017. Metric 5 (RSH 501) is the 'headline' figure, but due to the significant differences between unit costs for different types of housing (lowest general needs, highest supported) the association's social housing cost per unit of £4,252 in 2017 & £4,297 in 2018 need to be set in context. The regulator's most recent analysis 'Understanding Differences In Unit Costs' was published in September 2018, which concluded that the theoretical baseline should be £3,300 for an HA with 100% general needs properties, traditional status, with all units meeting the Decent Homes standard, and operating in an area with mean average wages and median deprivation. It also deduced that each unit of housing for older people was associated with additional costs of £1,400 above general needs units, i.e. £4,700. It can therefore be seen that the association provides excellent VfM in this regard while it is not developing. Similarly it scores in the upper quartile for metrics 6 & 7 despite its basic rents averaging about 14% below the formula (providing particularly good VfM for self-funding tenants).

The Directors key measurements of VfM success are 1. Repairs, 2. Voids and 3. Satisfaction.

Repairs. In common with other benchmarking members, all undertake 100% of Emergency repairs within 24 hours (the target is 95%). For urgent repairs, the target for most members is for 95% to be complete within 7 days. CESSA HA meets this comfortably and out-performs the other members by 1.5% even though reporting on doing so in 5 days. For routine repairs, the target for most members is for 92% to be complete within 28 days. CESSA HA exceeds that and only reports slightly lower performance than its Peer group and Acuity median because it's goal is within 21 days, and so is performing very well overall.

Voids management. This is important in order to maximise income and minimise losses and the association has performed well in this regard – less than 1%, despite the need to renovate flats between occupants and the additional challenges for sheltered providers of finding applicants ready to move when vacancies happen to occur.

Satisfaction. For all these reasons, the association's tenants appear more satisfied, at 97.6%, compared with the median of 95%.

The Directors have not set arbitrary targets for efficiency reductions given the low costs already illustrated, the minimal arrears and bad debts, and the fact that its basic rents are about 14% below the formula.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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. CESSA HA has achieved grants, the biggest being £160k in 2013 from the Armed Forces Covenant team towards the remodelling of St Georges' Court. 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. Achievements in 2018:

- £80k spent on roof maintenance at CESSAC House, £17k on LED hall lighting at Trafalgar Court and £12k replacing the Portsmouth Maintenance van.
- Achieved agreement to the reduction of hours for the Scheme Manager service at Trafalgar Court, enabling a single full-time post covering both it and Dhekelia Court.
- Kept abreast of, and influenced, the Government's policy for social housing including: Right to Buy; and the Future Funding of Supported Housing.
- Confirmed that the association's next project should address the remaining un-remodelled scheme, then to consider expansion.
- Implemented new regulation about demonstrating HA's value for money (shown here).
- Ensured the association is compliant with the General Data Protection Regulations (GDPR).

Service delivery is a key part of delivering VfM and a programme of annual independent assessment was instituted in 2015 that has rated CESSA HA to be providing an excellent service. The association is a member of Procurement for Housing and conducts its own health & safety assessments.

Plans for 2019:

- The major project will be the remodelling of Dhekelia Court, expected to cost over £500k between 2019 & 2020.
- In 2019 £22k is planned to be spent for LED lighting at Glamis Court and £7.7k to expand the shop at CESSAC House.
- To improve the Independent Assessment at better VfM, CHS will now do this for all schemes.
- The Head Office IT system must be replaced before the end of 2019.
- Keep abreast of, and attempt to influence, the Government's housing Green Paper.
- Continue to explore the viability of developing a new scheme.
- Renegotiate the gardening contracts for all schemes.
- Renegotiate the energy contracts to deliver best VfM for tenants.

2019 will be affected by the mandated final 1% cut in basic rent, but ameliorated by the higher amount charged to new tenants. However, the remodelling project will consume a significant proportion of the reserves accumulated for this purpose and this will be evident in the Balance Sheet and Statement of Cash Flows. 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

10 April 2019

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

Opinion

We have audited the financial statements of Church of England Soldiers', Sailors' and Airmen's Housing Association Limited (the 'association') for the year ended 31 December 2018 set out on pages 10 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for the audits of small entities, in the circumstances set out in note 24 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This report is made solely to the 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.

Jones Avens Limited

10 April 2019

**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 2018

	Notes	2018 £	2017 £
Turnover	3	1,145,309	1,151,011
Administrative expenses		(898,903)	(835,633)
Operating surplus	5	246,406	315,378
Interest receivable and similar income	8	13,109	11,438
Interest payable and similar expenses	9	(12,816)	(14,576)
Fair value gains and losses on investments	10	(22,312)	19,125
Surplus before taxation		224,387	331,365
Taxation	11	-	-
Surplus for the financial year		224,387	331,365
Total comprehensive income for the year		224,387	331,365

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 C 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 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	12		3,646,116		3,626,224
Investments	13		287,222		303,896
			<u>3,933,338</u>		<u>3,930,120</u>
Current assets					
Debtors	15	10,551		13,025	
Cash at bank and in hand		1,171,422		1,013,538	
		<u>1,181,973</u>		<u>1,026,563</u>	
Creditors: amounts falling due within one year	17	(102,606)		(120,544)	
Net current assets			<u>1,079,367</u>		<u>906,019</u>
Total assets less current liabilities			<u>5,012,705</u>		<u>4,836,139</u>
Creditors: amounts falling due after more than one year	18		(2,772,175)		(2,840,996)
Provisions for liabilities	19		(335,000)		(314,000)
Net assets			<u>1,905,530</u>		<u>1,681,143</u>
Capital and reserves					
Called up share capital	22		21		21
Income and expenditure reserve			1,905,509		1,681,122
Total equity			<u>1,905,530</u>		<u>1,681,143</u>

The financial statements were approved by the board of directors and authorised for issue on 10 April 2019 and are signed on its behalf by:

Rear Admiral A R Rymer (Chairman)
Director

Mrs A C 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 2018

	Notes	Share capital £	Income and expenditure reserve £	Total £
Balance at 1 January 2017		21	1,349,757	1,349,778
Period ended 31 December 2017:				
Surplus and total comprehensive income for the year		-	331,365	331,365
Balance at 31 December 2017		21	1,681,122	1,681,143
Period ended 31 December 2018:				
Surplus and total comprehensive income for the year		-	224,387	224,387
Balance at 31 December 2018		21	1,905,509	1,905,530

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	23		311,106		353,609
Interest paid			(8,816)		(9,576)
Net cash inflow from operating activities			<u>302,290</u>		<u>344,033</u>
Investing activities					
Purchase of tangible fixed assets		(122,058)		(102,538)	
Proceeds on disposal of tangible fixed assets		800		-	
Purchase of fixed asset investments		(34,212)		(25,801)	
Proceeds from other investments and loans		28,574		19,066	
Interest received		6,518		4,885	
Dividends received		7,284		8,282	
Net cash used in investing activities			<u>(113,094)</u>		<u>(96,106)</u>
Financing activities					
Repayment of borrowings		(31,312)		(30,548)	
Net cash used in financing activities			<u>(31,312)</u>		<u>(30,548)</u>
Net increase in cash and cash equivalents			<u>157,884</u>		<u>217,379</u>
Cash and cash equivalents at beginning of year			1,013,538		796,159
Cash and cash equivalents at end of year			<u><u>1,171,422</u></u>		<u><u>1,013,538</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

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
Office equipment	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 at bank and in hand 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 2018

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 2018

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

3 Social housing turnover and costs

	2018 £	2017 £
Rents receivable excluding service charges	746,426	742,661
Service charges receivable	354,363	363,320
Guest room income receivable	5,570	4,500
Other sundry income	2,224	3,804
Amortisation of capital grants	36,726	36,726
	<hr/>	<hr/>
Social housing activity expenditure	1,145,309 (898,903)	1,151,011 (835,633)
	<hr/>	<hr/>
Operating surplus/(deficit) from social housing activities	246,406	315,378
	<hr/>	<hr/>
Net surplus/(deficit) from social housing activities	224,387	331,365
	<hr/>	<hr/>
Void losses	(8,616)	(9,688)
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Accommodation owned and in management

	Number of units at 31 December 2018	Number of units at 31 December 2017
Completed units:		
Sheltered housing let at social rent	196	196
	<u>196</u>	<u>196</u>

5 Operating surplus

	2018 £	2017 £
Operating surplus for the year is stated after charging/(crediting):		
Remuneration, exclusive of VAT, payable to the external auditors:		
Auditing of the accounts	4,111	3,761
Accountancy services	1,468	1,825
Depreciation of owned tangible fixed assets	99,158	100,486
Deficit on disposal of tangible fixed assets	2,208	4,266
	<u>107,945</u>	<u>110,339</u>

6 Employees

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

	2018 Number	2017 Number
Management	6	5
Scheme managers	4	5
Cleaners	9	9
Maintainers	2	2
	<u>21</u>	<u>21</u>
Average full time equivalent (based on a 35 hour week)	<u>14</u>	<u>14</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	292,204	287,622
Social security costs	24,603	18,973
Pension costs	22,376	17,489
	<u>339,183</u>	<u>324,084</u>

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

7 Board and key management personnel remuneration

	2018 £	2017 £
--	-----------	-----------

Remuneration for qualifying services	24,486	23,601
Association pension contributions to defined contribution schemes	2,449	2,360
	<u>26,935</u>	<u>25,961</u>

No remuneration was receivable by non-executive board members.

The highest paid director received £24,486 (2017 - £23,601) 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 £47,224 (2017 - £45,741) 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 £24,486 (2017 - £23,601). 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 £2,449 (2017 - £2,360) from the association during the year after apportionment with CESSAC who contributed a further £4,722 (2017 - £4,574). 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8 Interest receivable and similar income	2018	2017
	£	£
Interest income		
Interest on bank deposits	5,825	3,156
Other income from investments		
Dividends received	7,284	8,282
Total income	<u>13,109</u>	<u>11,438</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through income and expenditure	<u>5,825</u>	<u>3,156</u>
9 Interest payable and similar expenses	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	8,816	9,576
Other finance costs:		
Unwinding of discount on provisions	4,000	5,000
	<u>12,816</u>	<u>14,576</u>
10 Amounts written off investments	2018	2017
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through income and expenditure	(24,557)	21,585
Other gains/(losses)		
Gain/(loss) on disposal of financial assets held at fair value through income and expenditure	2,245	(2,460)
	<u>(22,312)</u>	<u>19,125</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 2018

12 Tangible fixed assets

Housing properties

Housing properties for letting
£

Cost

At 1 January 2018	5,525,482
Additions: works to existing properties	109,711
Disposals	(18,427)
At 31 December 2018	5,616,766

Depreciation and impairment

At 1 January 2018	1,990,499
Depreciation charged in the year	86,171
Eliminated in respect of disposals	(15,419)
At 31 December 2018	2,061,251

Carrying amount

At 31 December 2018	3,555,515
At 31 December 2017	3,534,983

Other

	Fixtures and fittings £	Office equipment £	Vehicles £	Total £
Cost				
At 1 January 2018	203,664	669	32,737	237,070
Additions	-	-	12,347	12,347
Disposals	-	-	(9,341)	(9,341)
At 31 December 2018	203,664	669	35,743	240,076
Depreciation and impairment				
At 1 January 2018	131,139	669	14,021	145,829
Depreciation charged in the year	9,412	-	3,575	12,987
Eliminated in respect of disposals	-	-	(9,341)	(9,341)
At 31 December 2018	140,551	669	8,255	149,475
Carrying amount				
At 31 December 2018	63,113	-	27,488	90,601
At 31 December 2017	72,525	-	18,716	91,241

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

13 Fixed asset investments

	2018 £	2017 £
Investments	287,222	303,896

The investments are recognised at fair value through income or expenditure and have an original cost of £269,883 (2017: £263,630).

Movements in fixed asset investments

	Charles Stanley share portfolio £
Cost or valuation	
At 1 January 2018	303,896
Additions	34,212
Valuation changes	(24,557)
Disposals	(26,329)
At 31 December 2018	287,222
Carrying amount	
At 31 December 2018	287,222
At 31 December 2017	303,896

14 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,134	3,018
Instruments measured at fair value through income or expenditure	287,222	303,896
Carrying amount of financial liabilities		
Measured at amortised cost	350,004	400,037

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15 Debtors	2018	2017
Amounts falling due within one year:	£	£
Social housing rent arrears	1,134	2,325
Other debtors	-	693
Prepayments	9,417	10,007
	<u>10,551</u>	<u>13,025</u>

16 Loans and overdrafts	2018	2017
	£	£
Other loans	316,219	347,531
	<u>316,219</u>	<u>347,531</u>
Payable within one year	32,095	31,312
Payable after one year	284,124	316,219
	<u>316,219</u>	<u>316,219</u>

The above long term funding is an unsecured loan from CESSAC at an interest rate of 2.5% (fixed for three years from 1 March 2017), the loan is repayable by 31 December 2027.

17 Creditors: amounts falling due within one year	2018	2017	
	£	£	
	Notes		
Loans and overdrafts	16	32,095	31,312
Government grants	20	36,726	36,726
Rents paid in advance		3,654	358
Accruals		30,131	52,148
		<u>102,606</u>	<u>120,544</u>

18 Creditors: amounts falling due after more than one year	2018	2017	
	£	£	
	Notes		
Other borrowings	16	284,124	316,219
Government grants	20	2,488,051	2,524,777
		<u>2,772,175</u>	<u>2,840,996</u>

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

Payable by instalments	147,520	182,946
	<u>147,520</u>	<u>182,946</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

18	Creditors: amounts falling due after more than one year	(Continued)	
19	Provisions for liabilities	2018	2017
		£	£
	Pension scheme deficit contribution provision	335,000	314,000
		<u> </u>	<u> </u>
	Reconciliation of opening and closing provisions		
	At 1 January 2018	314,000	355,000
	Remeasurements - amendments to the contribution schedule	70,000	-
	Remeasurements - impact of any change in assumptions	(5,000)	-
	Deficit contribution paid	(48,000)	(46,000)
	Unwinding of the discount factor (interest expense)	4,000	5,000
		<u> </u>	<u> </u>
	At 31 December 2018	335,000	314,000
		<u> </u>	<u> </u>
	Income and expenditure impact		
	Interest expense	4,000	5,000
	Remeasurements – impact of any change in assumptions	(5,000)	-
	Remeasurements – amendments to the contribution schedules	70,000	-
	Contributions paid in respect of future service	22,376	17,489
		<u> </u>	<u> </u>
	Costs recognised in income and expenditure account	91,376	22,489
		<u> </u>	<u> </u>
	Assumptions		
	Rate of discount	1.41%	1.45%
		<u> </u>	<u> </u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

20 Government grants

Deferred income is included in the financial statements as follows:

	2018 £	2017 £
Current liabilities	36,726	36,726
Non-current liabilities	2,488,051	2,524,777
	<u>2,524,777</u>	<u>2,561,503</u>
	2018 £	2017 £
Social Housing Grant received		
At 1 January 2018	3,672,646	3,672,646
At 31 December 2018	<u>3,672,646</u>	<u>3,672,646</u>
Amortisation		
At 1 January 2018	1,111,143	1,074,417
Amortised during the year	36,726	36,726
At 31 December 2018	<u>1,147,869</u>	<u>1,111,143</u>
Carrying amount		
At 31 December 2018	<u>2,524,777</u>	<u>2,561,503</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 £2,341,147 (2017: £2,377,873).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 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 2017. This actuarial valuation was certified on 28 November 2018 and showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m. To eliminate this funding shortfall, the trustees and the participating employers have agreed a new Recovery Plan which replaces the tiered approach. Additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2026: £161.0m per annum
(payable monthly and increasing by 2.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014; this 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 agreed that additional contributions would 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)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes (Continued)

Present value of provision £314k (2016: £355k) see note 19.

22 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
Brought forward	21	21
	21	21

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.

23 Cash generated from operations	2018 £	2017 £
Surplus for the year	224,387	331,365
Adjustments for:		
Finance costs recognised in income and expenditure	12,816	14,576
Investment income recognised in income and expenditure	(13,109)	(11,438)
Loss on disposal of tangible fixed assets	2,208	4,266
Depreciation and impairment of tangible fixed assets	99,158	100,486
Fair value gains and losses on investments	22,312	(19,125)
Increase/(decrease) in provisions	17,000	(46,000)
Movements in working capital:		
Decrease/(increase) in debtors	1,781	(7,259)
(Decrease)/increase in creditors	(18,721)	23,464
(Decrease) in deferred income	(36,726)	(36,726)
Cash generated from operations	311,106	353,609

24 Non-audit services provided by auditor

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

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