

South Northants Homes

Financial statements for the year
ended 31 March 2018

South Northants Homes Limited

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South Northants Homes Limited

The Board, Executive Officers and Advisers

Chairs serving during the year

Gillian Walton, Independent, Chair

Board members serving during the year

Richard Broomfield, Independent (until 30 September 2017)

Tim Knights, Independent

Clive Williams, Independent, Vice Chair (until 30 September 2017)

Dave Willis, Independent (from 1 October 2017)

Harpreet Chander, Independent (from 1 October 2017)

Peter Fielder, Independent, Vice Chair (from 1 October 2017)

Brent O'Halloran (from 1 October 2017)

Lizzy Bowen, South Northants Council nominee (until 17 May 2017)

Executive Officer and Company Secretary

Alan Humphreys, Group Chief Executive (until 30 June 2017)

Aileen Evans, Group Chief Executive (from 1 July 2017)

Group Director of Operations (until 30 June 2017)

Phil Hardy, Group Director of Operations (from 7 August 2017)

Anna Simpson, Director of Finance & Company Secretary

Registered Office

Wood Burcote House
Burcote Road
Towcester
Northamptonshire
NN12 6TF

Solicitors

Perrin Myddelton
Trowers & Hamblins
Wright Hassall
EMW Law

Funders

Royal Bank of Scotland plc

Bankers

NatWest Bank plc

Auditors

Mazars LLP (External)
RSM LLP (Internal)

Valuers

Savills plc

Registered as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, No.30387R

Homes and Communities Agency registered No. L4519

The Association has charitable objectives and is recognised as an exempt charity for taxation purposes.

South Northants Homes Limited

Strategic Report

The Board presents its strategic and board reports on the affairs of the South Northants Homes Limited (the Association) together with the financial statements and auditor's report for the year ended 31 March 2018.

The Association, as part of the Grand Union Housing Group (the Group), is a registered provider of social housing with a people centred culture, delivering excellent local services.

At a Special General Meeting on 17 July 2018, the shareholders of the Association approved the formal legal amalgamation of the group entities Aragon Housing Association, South Northants Homes, Rockingham Forest Housing Association and Grand Union Housing Group to take place on or after 1 October 2018. This was recommended by the Directors, based on detailed legal advice and having undertaken significant research and negotiations with stakeholders over the previous twelve months. This transition represents the next natural step in the evolution of the group as it works towards streamlining governance and operational arrangements. It is anticipated that this will expedite the delivery of strategy and provide clearer line of sight and accountability for customers and other stakeholders. It is recognised that there has been shared alignment of strategic direction and underlying corporate values between the amalgamating entities within the combined group and this continuity is communicated in the ongoing name of the combined entity, Grand Union Housing Group. Further details on the strategy, risks and corporate plans are outlined in the Annual Report and Financial Statements of Grand Union Housing Group where more detailed value for money analysis is also disclosed.

Governance

The members of the Board are shown on page 1. Board members are drawn from a wide background, bringing together professional, commercial and local experience. The Board meets formally at least four times a year for regular business. The new joint board continue to progress the facilitation and harmonisation of Group working practices.

Board members pay was introduced during 2017/18 within the Group and are details are disclosed within the Group financial statements

At 31 March 2018 the Association had issued sixteen £1 shares.

The Board was supported during the year by group wide committees disclosed in the Group accounts.

Homes and Communities Agency Regulatory Framework

The Board has reviewed its compliance with the Regulatory Framework and confirms that it complies fully with its requirements, subject to the succession of the Chair during the year as outlined in the Group accounts.

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)". The Board has reviewed the code and confirms it complies fully, subject to the succession of the Chair as outlined in the Group accounts.

South Northants Homes Limited

Strategic Report

Executive Officers

The post of Group Director of Operations has day to day operational authority for South Northants Homes Limited in conjunction with the group executive management team, supported by senior officers across the business. The management team meets regularly and its members attend Board and Stakeholder Panels.

Directors' and Officers' Liability Insurance

The Association has purchased Directors' and Officers' Liability Insurance for the Board, Executive Officers and staff of the Association.

Employees

The ability of the Association to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution, commitment and quality of its employees. The Association provides training programmes focusing on quality and customer service requirements, while the Association's objectives and progress are discussed at regular management and departmental meetings. Managers throughout the Association attend training to improve their management skills.

The Association undertakes an annual internal staff survey to ensure staff's views are shared and understood to promote a culture of high performance.

The Association is committed to equal opportunities for all its employees. Effective employment policies are in place and reviewed on a regular basis. All existing staff have been provided with diversity and inclusion training, whilst new members of staff are trained during the induction process.

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has detailed health and safety policies and provides training to designated staff.

Value for Money (VfM)

VfM is about achieving the best possible results with the available resources; finding the right balance between cost, quality and effectiveness.

VfM is embedded across the Group and is a driver for all service delivery at South Northants Homes. The importance of VfM initiatives is understood by all staff and a Group-wide VfM register ensures visibility for this vital area.

South Northants Homes Limited

Strategic Report

The Regulator of Social Housing has introduced a set of VfM metrics that will provide a consistent measure across the sector.

Metric	2017/18	2016/17
Reinvestment %	4.10%	4.57%
New Supply Delivered – Social Housing %	0.39%	0.32%
New Supply Delivered – Non-Social Housing %	0	0
Gearing %	44.94%	37.62%
EBITDA MRI %	330.19%	244.84%
Headline social housing cost per unit £	£3,496	£4,106
Operating Margin – social housing lettings only %	25.73%	26.60%
Operating Margin – overall %	27.90%	22.89%
Return on capital employed (ROCE) %	5.31%	4.19%

Going Concern

The Association's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are described above and in the Board Report. The Association have considerable financial resources and, as a consequence, the Board believes that the Association is well placed to manage its business risks successfully, despite current uncertainties in the social housing sector.

After making enquiries, the Board expects that the Association have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

Gillian Walton
Chair

18 September 2018

South Northants Homes Limited

Board Report

Details of South Northants Homes Limited principal activities, VfM and factors likely to affect its future are given in the Strategic Report, which preceded this report.

Statement of Board members' responsibilities

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness within the Group.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process adopted by the Board in reviewing the effectiveness of the system of internal control together with some of the key elements of the control framework includes:

- *Identification and evaluation of key risks* – Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive Management Team regularly considers reports on significant risks facing the Group and is responsible for reporting to the Board any significant changes affecting key risks.
- *Monitoring and corrective action* – A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.
- *Control environment and control procedures* – The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted the NHF Code of Governance 2015. In addition the Group has policies with regard to the quality, integrity and ethics of its employees and these are supported by a framework of policies and procedures with which employees must comply.

These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, business resumption plan and fraud prevention and detection.

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

South Northants Homes Limited

Board Report

- *Fraud* – The Group has in place policies in respect of preventing, detecting and investigating fraud and the Board is satisfied that these effectively manage the risk of fraud. The Group has a Confidential Reporting policy that covers Board members, employees and customers.

The internal control framework and the risk management process are subject to regular review by Internal Audit who is responsible for providing independent assurance to the Board via its Audit & Risk Committee.

During the year, the Board has reviewed its risk appetite in detail and reset the parameters within a new Risk Appetite Framework. This more clearly articulates the Board's appetite for taking risks in line with the Group's restated strategy. This has reinforced common understanding and agreement of the nature and size of risks to be taken in the pursuit of corporate objectives across the whole organisation and in the wide variety of fields and functions of operation. The Risk Management approach has also been refreshed during the year to further enable more focussed identification of risks and ensure sufficient control mechanisms are in place to minimise potential impacts where appropriate.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. No successful frauds were carried out against the Group in 2017/18 but a number of attempts were prevented by existing controls.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Auditor

A resolution to re-appoint Mazars LLP as the Association's external auditor for a further 12 months will be proposed at the Annual General Meeting.

Statement of Compliance

The Board has followed the principles set out in the Statement of Recommended Practice (SORP) for Registered Social Providers 2014. In transitioning to FRS 102, the Association has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Approved by the Board and signed on its behalf by:

Gillian Walton
Chair

18 September 2018

South Northants Homes Limited

Independent auditor's report to the members of South Northants Homes Limited

Opinion

We have audited the financial statements of South Northants Homes Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 March 2018 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

South Northants Homes Limited

Independent auditor's report to the members of South Northants Homes Limited

Other information

The Board is responsible for the other information. The other information comprises the information included in the Board 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.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 5, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

South Northants Homes Limited

Independent auditor's report to the members of South Northants Homes Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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.

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date:

South Northants Homes Limited

Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	16,473	16,313
Operating expenditure	3	(11,588)	(12,415)
Operating surplus		4,885	3,898
Surplus on disposal of property, plant and equipment	4	300	164
Finance income	5	5	22
Interest and financing costs	6	(1,388)	(1,298)
Surplus on revaluation of investment properties	13	0	1,555
Surplus before tax		3,802	4,341
Taxation	10	-	-
Surplus for the year	7	3,802	4,341
Other comprehensive income			
Actuarial surplus in respect of pension schemes	18	253	932
Total comprehensive income for the year		4,055	5,273

All the activity above relates to continuing activities.

South Northants Homes Limited
Statement of Financial Position
as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	76,955	76,137
Investment properties	13	1,880	1,880
Other tangible fixed assets	12a	1,698	1,879
Intangible fixed assets	12b	52	-
		<hr/>	<hr/>
		80,585	79,896
		<hr/>	<hr/>
Current assets			
Inventories (included assets held for sale)	14	147	227
Debtors	15	12,819	1,675
Cash		5,483	11,858
		<hr/>	<hr/>
		18,449	13,760
Debtors: Amounts falling due after more than one year	15	3,849	6,900
Creditors: Amounts falling due within one year	16	(5,355)	(3,658)
		<hr/>	<hr/>
Net current assets		16,943	17,002
		<hr/>	<hr/>
Total assets less current liabilities		97,528	96,898
Creditors: Amounts falling due after more than one year	17	(44,799)	(48,136)
Defined benefit pension liability	18	492	404
		<hr/>	<hr/>
Net assets		53,221	49,166
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	19	-	-
Revenue reserve		19,117	11,466
Revaluation reserve		30,939	34,535
Restricted reserve		3,165	3,165
		<hr/>	<hr/>
Total reserves		53,221	49,166
		<hr/> <hr/>	<hr/> <hr/>

The financial statements of South Northants Homes Limited, registered number L4519R were approved by the Board and signed on its behalf by:

Anna Simpson
Company Secretary

Gillian Walton
Chair

Peter Fielder
Vice Chair

South Northants Homes Limited Statement of Changes in Reserves

For the year ended 31 March 2018

	Revenue reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2017	11,466	34,535	3,165	49,166
Surplus for the year	3,802	-	-	3,802
Transfer to Group to fund Development	-	-	-	-
Actuarial surplus in respect of pension schemes	253	-	-	253
Transfer from revaluation reserve to revenue reserve	3,596	(3,596)	-	-
Transfer from revenue reserve to restricted reserve	-	-	-	-
At 31 March 2018	19,117	30,939	3,165	53,221

	Revenue reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2016	5,094	34,535	4,264	43,893
Surplus for the year	4,341	-	-	4,341
Transfer to Group to fund Development	1,108	-	(1,108)	-
Actuarial surplus in respect of pension schemes	932	-	-	932
Transfer from revaluation reserve to revenue and restricted reserves	(9)	-	9	-
At 31 March 2017	11,466	34,535	3,165	49,166

Reserves

Revenue Reserve

The revenue reserve represents cumulative surpluses and deficits of the Association.

Revaluation Reserve

The revaluation reserve relates to cumulative historic valuation uplifts arising before 1 April 2014.

Restricted Reserves

The restricted reserve relates to mainly development funds set aside for future purposes and a provision for insurance commitments

South Northants Homes Limited Statements of Cash Flows

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	20	9,810	7,070
Cash flows from investing activities			
Purchase of other tangible fixed assets		(8)	(207)
Purchase of tangible fixed assets - housing properties		(3,154)	(3,480)
Purchase of intangible fixed assets		(62)	-
Proceeds from sale of other tangible fixed assets		22	7
Proceeds from sale of tangible fixed assets - housing property		836	543
Grants received		30	356
Interest received		5	22
		<hr/>	<hr/>
Net cash flows from investing activities		(2,331)	(2,759)
Cash flows from financing activities			
Interest paid		(1,396)	(1,281)
New Loan		-	4,000
Loan refinancing costs		(458)	-
Financial investment within the Group		(12,000)	1,722
		<hr/>	<hr/>
Net cash flows from financing activities		(13,854)	4,441
Net increase in cash and cash equivalents		(6,375)	8,752
Cash and cash equivalents at beginning of year		<hr/> 11,858	<hr/> 3,106
Cash and cash equivalents at end of year		<hr/> <hr/> 5,483	<hr/> <hr/> 11,858

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

1 Accounting policies

South Northants Homes Limited (the 'Association') is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 incorporated and domiciled in England. The address of the registered office is Wood Burcote House, Burcote Road, Towcester NN12 6TF. The registered number is 30387R.

The main activities of the Association are the provision of affordable homes for rent for people in housing need.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Group Accounts and basis of consolidation

The Association is a wholly owned subsidiary of the Grand Union Housing Group. The Association's accounts are prepared on the basis that it is an individual entity. The consolidated financial statements of Grand Union Housing Group incorporate the financial statements of South Northants Homes Limited, Aragon Housing Association Limited, Grand Union Homes Limited, GUHG Development Company Limited and Grand Union Group Funding Plc and can be found at <http://www.grandunionhousing.co.uk/> Inter company transactions and balances are eliminated on consolidation.

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Association's shareholders. In preparing the Association's individual financial statements, the Association has taken advantage of the exemption not to provide certain disclosures as required by Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instrument Issues", on the basis that equivalent disclosures are given in the consolidated financial statements.

Property, plant and equipment - housing properties at cost

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development calculated at the weighted average cost of capital during 2017/18. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Property, plant and equipment - housing properties at deemed cost

Where housing properties were measured at fair value at the date of transition to FRS102 and this valuation was used as deemed cost, taking advantage of the exemption available on transition to FRS 102 from previous UK GAAP, this was considered to be a valuation and a revaluation reserve established to account for the movement.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	
- Standard	100 years
- Properties built by pre-reinforced concrete method with certificate	50 years
- Properties built by pre-reinforced concrete method without certificate	10 years
Roofs	50 years
Heating systems	40 years
Doors, Windows, Bathrooms, Lifts, Wiring, Insulation and High Level Works	30 years
Solar Panels	25 years
Kitchens, Heat Pumps	20 years
Heating Boilers	15 years

If the component is replaced before the end of its economic life, the resulting charge will be reflected in the overall depreciation charge rather than a loss on its replacement.

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Sales of Housing Property

Sales of housing property are taken into account on completion of contracts. The surplus or deficit arising from the sale is shown net after deducting the carrying value of the property and any sale related expense.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Non-housing property, plant and equipment

Non-housing property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	50 years
Office improvements	25 years
Office fixtures	10 years
Office heating and mechanical	5 years
Furniture and fittings	5 years
Vehicles	4 years
Computer equipment	3 years

Investment properties

The classification of properties as investment property or property, plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property, plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in surplus or deficit in the Statement of Comprehensive Income.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Homes and Communities Agency, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Association assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Taxation

The majority of the Associations activities are charitable and are conducted through the Registered Provider subsidiaries which have charitable status. No taxation is payable on such activities relating to charitable purposes. Any charge for taxation is based on the surplus/deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis.

Value Added Tax (VAT)

The Associations is registered for VAT but a large proportion of its income, including rents, is exempt for VAT purposes. The majority of the Associations expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT where appropriate. Those areas where VAT is recoverable, a group partial exemption formula has been agreed with HM Revenue and Customs (HMRC) and has been applied for RFH from January 2017. The recoverable amount is credited against the relevant expenditure.

Pensions

Local Government Pension Scheme

The Association participates in a local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each reporting date. This scheme was closed to new members from 1 April 2013.

Defined contribution scheme

The Association participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Investments

Investments are measured at cost less impairment.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as shared ownership first tranche sales at completion. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

For newly developed properties, rental income is recognised when properties become available for letting, net of any voids. Income from first tranche sales of shared ownership properties and sales of properties built for sale is recognised at legal completion of the sale.

Supported housing and other managing agents

Where the Association has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Inventories/WIP

Inventories and work in progress (WIP) relate to the percentage of shared ownership properties to be sold under the first tranche disposal which is shown on initial recognition as a current asset under Inventories/WIP. These properties held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at transaction value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

A financial liability is initially recognised at transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Loan issue costs relating to the housing loans and bond issue are amortised to the Statement of Comprehensive Income over the repayment period of the loans. Interest payable on the loans and bond is charged to the Statement of Comprehensive Income in the year it is due.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

On long-term lending, the interest rate to be charged is calculated by reference to the interest rates, margins and banking charges within the loan agreements, with the funders, on the day the loan is made.

Public benefit entity concessionary loans

Where loans are made or received between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

2 Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, the Association reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to the Associations business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, the Association is required to make the following disclosure:

- a) Judgements made in defining the cash-generating unit
- b) Estimation technique and judgement used in measuring recoverable amount
- c) When Value in Use-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used

The Association estimated the recoverable amount of its housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (ie the individual asset level or at cash-generating unit (CGU) level). The CGU was determined to be an individual scheme
- (b) Estimated the recoverable amount of the CGU
- (c) Calculated the carrying amount of the CGU and
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, the Association calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was no impairment of social housing properties.

Categorisation of investment properties

Property assets are classified as investment property or property, plant and equipment depending on the intended use of the property. In determining the intended use of each property, management considers various factors in making this judgement such as whether the asset is held for social benefit at below a market rent for the wider benefit of the community and whether the properties are subsidised and operated at a loss in order to continue providing a service. The accounting treatment will be different depending upon the categorisation.

Classification of financial instruments between basic and other

Financial instruments are classified as either basic or other, with differing accounting treatments depending on the classification. Section 11 of FRS 102, 'Basic Financial Instruments', sets out the requirements for the recognition, measurement and de-recognition of basic financial instruments and the conditions that must be satisfied in order to classify a financial instrument as basic and therefore account for it in accordance with Section 11.

Modification of financial liabilities

Where the Association has modified a loan agreement, an assessment is carried out as to whether the modification results in substantially different terms. If it does, the loan is de-recognised and a new financial liability recognised. If the new terms are not considered substantially different, there is a re-measurement of the financial liability using the original effective interest rate. In making this assessment, judgement is applied in considering a combination of quantitative and qualitative factors.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Capitalisation of property development costs

The Association capitalises development expenditure in accordance with the accounting policy on housing properties. Judgement is exercised over the likelihood that projects will continue.

Mixed tenure developments

Where the Association develops mixed tenure development schemes including more than one element, the costs incurred in acquiring and developing the land are attributed to each element of the scheme depending on the intended usage to reflect the different tenure types.

Estimation uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Provisions

Provisions are only recognised where the Association has an obligation to incur future expenditure as a result of a past event. The provision is recognised as a liability in the Statement of Financial Position. These would include Service Charge Sinking Funds, provision for an outstanding insurance claim.

Valuation of investment properties

The Association carries its investment property at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property therefore uses assumptions, of which the most sensitive relate to the estimated yield and the long term vacancy rate.

Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Assets held for sale

Inventory includes properties for sale under market sale and shared ownership programmes. In addition the Association holds work in progress on schemes where properties are being developed for sale. The value of each asset is assessed for impairment by review against its selling price less costs to complete and sell and each scheme in progress against expected proceeds less costs to be incurred.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

3b Particulars of Income and Expenditure from social housing lettings

	2018	2017
	Total £'000	Total £'000
Income		
Rents receivable	14,628	14,870
Supporting People	-	36
Amortised government grant	9	9
	<hr/>	<hr/>
Turnover from social housing lettings	14,637	14,915
Expenditure		
Management	1,550	1,664
Services	1,123	1,126
Routine maintenance	2,709	2,697
Planned maintenance	1,084	1,078
Major repairs expenditure	1,834	2,198
Bad Debts	84	95
Depreciation of housing properties	1,695	1,618
Depreciation Other	179	208
Write off on Replacement	142	49
Amortisation of intangible assets	9	-
Other costs	173	51
	<hr/>	<hr/>
Operating costs	10,582	10,784
	<hr/>	<hr/>
Operating surplus social housing lettings	4,055	4,131
	<hr/> <hr/>	<hr/> <hr/>
Void losses	75	87
	<hr/> <hr/>	<hr/> <hr/>

South Northants Homes Limited
Notes to the Financial Statements

For the year ended 31 March 2018

4a Surplus on disposal of housing properties

	2018 £'000	2017 £'000
Sale of housing properties	836	543
Costs of sale	(547)	(386)
Surplus on disposal	<u>289</u>	<u>157</u>

4b Surplus on disposal of other property, plant and equipment

	2018 £'000	2017 £'000
Sale of other property, plant and equipment	22	7
Costs of sale	(11)	-
Surplus on disposal	<u>11</u>	<u>7</u>

5 Finance income

	2018 £'000	2017 £'000
Bank interest receivable	5	22
	<u>5</u>	<u>22</u>

6 Interest and finance costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	(1,449)	(1,321)
Net interest on defined benefit liability (see note 18)	8	(17)
Borrowing costs capitalised	53	40
	<u>(1,388)</u>	<u>(1,298)</u>

Borrowing costs on properties during construction have been capitalised based on a capitalisation rate 5.2% (2017: 5.2%).

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

7 Surplus for the year

Surplus for the year is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Depreciation of property, plant and equipment	2,016	1,875
Amortisation of intangible assets	9	-
Amortisation of grants	(9)	(9)
Surplus on disposal of 1 st tranche sales	(46)	(22)
Audit fees	21	30
Operating lease rentals	-	2
	<u>2,001</u>	<u>1,876</u>

8 Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	2,615	2,610
Social security costs	279	279
Other pension costs (see note 18)	516	406
	<u>3,410</u>	<u>3,295</u>

The senior staff of the association now undertake Group roles, with their costs allocated across the Group which means there are no members of staff where over £60,000 is allocated within the association.

	2018	2017
	Number	Number
Average full time equivalent number of employees	<u>89</u>	<u>90</u>

The basis of the calculation of the full time equivalents was the total number of working hours per week from all employees at the reporting date, divided by a standard working week of 36.5 hours.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

9 Directors' remuneration and transactions

Directors are defined as Board Members and the Group Directors.

Board members pay was introduced during 2017/18 within the Group and are details are disclosed within the Group financial statements.

The Post of Group Director of Operations has day to day operational authority for South Northants Homes Limited in conjunction with the Group executive management team, supported by senior officers across the business.

Total director remuneration

	2018	2017
	£'000	£'000
Wages and salaries	32	51
Social security costs	4	8
Pension costs	4	8
Compensation for loss of office	-	18
	<u>40</u>	<u>85</u>
	2018	2017
	£'000	£'000
Remuneration of the highest paid director (excluding pension contributions)	23	35

The Group Director of Operations is an ordinary member of the pension scheme. No enhanced or special terms apply.

10 Tax on surplus on ordinary activities

The Association has charitable status for tax purposes and no liability to Corporation Tax arises on its charitable activities.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

11 Tangible fixed assets – housing properties

	Completed properties £'000	Land & Housing Properties Under construction £'000	Completed shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 1 April 2017	86,867	410	573	310	88,160
Additions	-	604	-	402	1,006
Completed schemes	475	(475)	680	(680)	-
Components capitalised	2,148	-	-	-	2,148
Components write off	(157)	-	-	-	(157)
Disposals	(524)	-	(48)	-	(572)
At 31 March 2018	<u>88,809</u>	<u>539</u>	<u>1,205</u>	<u>32</u>	<u>90,585</u>
Depreciation					
At 1 April 2017	(12,015)	-	(8)	-	(12,023)
Charge for the year	(1,686)	-	(9)	-	(1,695)
Disposals	87	-	1	-	88
At 31 March 2018	<u>(13,614)</u>	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>(13,630)</u>
Net book value					
At 31 March 2018	<u>75,195</u>	<u>539</u>	<u>1,189</u>	<u>32</u>	<u>76,955</u>
At 31 March 2017	<u>74,852</u>	<u>410</u>	<u>565</u>	<u>310</u>	<u>76,137</u>

Freehold land and buildings with an Existing Use Value-Social Housing of £113.6 million (2017: £105.7 million) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Works to existing properties includes costs charged by contractors which have been capitalised

Analysis of works to existing properties	2018 £'000	2017 £'000
Capitalised: replacement of components	1,861	2,021
Capitalised: improvements	287	489
Charged to Statement of Comprehensive Income	1,413	1,840

12a Other Tangible Fixed Assets

	Freehold Offices £'000	Fixtures & Fittings £'000	Vehicles £'000	Computer Equipment £'000	Total £'000
Cost or valuation					
At 1 April 2017	1,753	201	719	603	3,276
Additions	-	-	-	8	8
Transfers to Aragon	-	-	(19)	-	(19)
Disposals	-	-	(22)	(2)	(24)
At 31 March 2018	<u>1,753</u>	<u>201</u>	<u>678</u>	<u>609</u>	<u>3,241</u>
Depreciation					
At 1 April 2017	(234)	(200)	(525)	(438)	(1,397)
Charge for the year	(31)	(1)	(61)	(85)	(178)
Transfers to Aragon	-	-	8	-	8
Disposals	-	-	22	2	24
At 31 March 2018	<u>(265)</u>	<u>(201)</u>	<u>(556)</u>	<u>(521)</u>	<u>(1,543)</u>
Net book value					
At 31 March 2018	<u>1,488</u>	<u>-</u>	<u>122</u>	<u>88</u>	<u>1,698</u>
At 31 March 2017	<u>1,519</u>	<u>1</u>	<u>194</u>	<u>165</u>	<u>1,879</u>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

12b Intangible Fixed Assets

	IT Software £'000
Cost	
At 1 April 2017	-
Additions	61
Disposals	-
	<hr/>
At 31 March 2018	61
	<hr/> <hr/>
Amortisation	
At 1 April 2017	-
Charge for the year	(9)
Disposals	-
	<hr/>
At 31 March 2018	(9)
	<hr/> <hr/>
Net Book Value	
At 31 March 2018	52
	<hr/> <hr/>
At 31 March 2017	-
	<hr/> <hr/>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

13 Investment Properties

	£'000
Valuation	
At 1 April 2017	1,880
	<hr/>
At 31 March 2018	1,880
	<hr/> <hr/>
Fair Value Losses	
At 1 April 2017	-
	<hr/>
At 31 March 2018	-
	<hr/> <hr/>
Carrying Value	
At 31 March 2018	1,880
	<hr/> <hr/>
At 31 March 2017	1,880
	<hr/> <hr/>

Investment properties held for letting were last valued by Berrys on 08 February 2017. The method of determining fair value was in accordance with the RICS Valuation – Professional Standards (January 2014 Edition) (the red book) and significant assumptions were as follows that the:

- a) properties are in a good condition and well managed and maintained to institutionally acceptable standards; and
- b) properties comply with legal or statutory consents. There are no restrictions on the reliability of investment property.

14 Inventories

	2018	2017
	£'000	£'000
Completed properties for sale	27	167
Raw materials and consumables	120	60
	<hr/>	<hr/>
	147	227
	<hr/> <hr/>	<hr/> <hr/>

The amount of interest included in Completed properties for sale is £0k (£37k in 2017)

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

15 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Rent arrears	654	523
Provision for bad debts	(269)	(198)
Group Lending	12,000	-
Amounts owed by Group undertakings	2	850
Other debtors	300	360
Prepayments and accrued income	132	140
	<u>12,819</u>	<u>1,675</u>

Amounts falling due after more than one year:

VAT Shelter agreement		
- South Northants Council development contract	<u>3,849</u>	<u>6,900</u>

No disclosure has been made of the net present value of rental arrears subject to repayment plans as the amount is considered to be insignificant.

16 Creditors – amounts falling due within one year

	2018	2017
	£'000	£'000
Rents received in advance	537	347
Amounts owed to Group undertakings	463	278
Other taxation and social security	17	24
Other creditors	7	8
Accruals and deferred income	4,322	2,867
Housing loans	-	125
Government grants	9	9
	<u>5,355</u>	<u>3,658</u>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

17 Creditors – amounts falling due after more than one year

		2018	2017
		£'000	£'000
Housing loans	17a	40,500	40,375
Loan refinancing costs		(436)	-
VAT Shelter agreement development contract		3,849	6,900
Government grants	17b	874	861
Recycled Capital Grant fund	17c	12	-
		<u>44,799</u>	<u>48,136</u>

The housing loans are secured on freehold housing properties. Interest is payable at an average of 3.58% per annum

17a Housing loans are repayable as follows:

	2018	2017
	£'000	£'000
Between one and two years	-	1,576
Between two and five years	-	4,051
After five years	40,500	34,748
	<u>40,500</u>	<u>40,375</u>
On demand or within one year	-	125
	<u>40,500</u>	<u>40,500</u>

17b Government grant – deferred income

	2018	2017
	£'000	£'000
At 1 April	870	523
Grants receivable	30	356
Disposal Proceeds Fund	(8)	-
Amortisation to Statement of Comprehensive Income	(9)	(9)
	<u>883</u>	<u>870</u>
At 31 March	883	870
Due within one year	9	9
Due after one year	874	861

The total accumulated amount of capital grant received or receivable at the balance sheet date is £883,000.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

17c Recycled Capital Grant fund

	2018 £'000	2017 £'000
At 1 April	-	-
Additional proceeds	12	-
Utilised proceeds	-	-
	<hr/>	<hr/>
At 31 March	<u>12</u>	<u>-</u>

18 Retirement benefit schemes

The Group (including South Northants Homes Limited) operates both a defined contribution retirement benefit scheme as a defined benefit scheme for qualifying employees.

Defined contribution schemes

For the defined contribution retirement benefit scheme the total expense charged to Statement of Comprehensive Income in the period ended 31 March 2018 was £92,478 (2017: £68,233).

Defined benefit scheme

The Association is an admitted member of the Northamptonshire County Council Pension Fund, which is part of the Local Government Pension Scheme (LGPS) – a funded defined benefit scheme based on final salary. Entry to the scheme for new employees was closed in November 2013. The Association's contribution rate over the year was 24.7% of pensionable salary, (2017: 22.4%). The pension plan has not invested in any of the Group's own financial instruments or other assets of the Group.

The employees are entitled to retirement benefits varying according to the final salary on attainment of retirement age. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2018 by Mr Geoffrey Nathan FFA, Fellow of the Institute of Actuaries, for and on behalf of Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost, and the past service cost were measured using the projected unit credit method.

	<u>Valuation at</u>	
	<u>2018</u>	<u>2017</u>
Key assumptions used:		
Discount rate	2.7%	2.6%
Future pension increases	2.4%	2.4%
Salary increase rate	2.7%	2.7%

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2018	2017
	years	years
Retiring today:		
Males	22.1	22.1
Females	24.2	24.2
Retiring in 20 years:		
Males	23.9	23.9
Females	26.1	26.1

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2018	2017
	£'000	£'000
Current service cost	587	424
Net interest cost	(8)	17
Surplus		
Recognised in other comprehensive income	(253)	(932)
	<hr/>	<hr/>
Total cost relating to defined benefit scheme	<u>326</u>	<u>(491)</u>

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018	2017
	£'000	£'000
Present value of defined benefit obligations	(16,864)	(16,398)
Fair value of scheme assets	17,356	16,802
	<hr/>	<hr/>
Net liability recognised in the Statement of Financial Position	<u>492</u>	<u>404</u>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

Movements in the present value of defined benefit obligations were as follows:

	2018	2017
	£'000	£'000
At 1 April	16,398	14,721
Service cost	587	424
Interest cost	431	519
Actuarial changes in financial assumptions and other re-measurements	(337)	929
Contributions from scheme participants	113	124
Benefits paid	(328)	(319)
	<hr/>	<hr/>
At 31 March	<u>16,864</u>	<u>16,398</u>

Movements in the fair value of scheme assets were as follows:

	2018	2017
	£'000	£'000
At 1 April	16,802	14,261
Interest income	439	502
Return on plan assets (excluding amounts included in net interest cost)	(84)	1,861
Contributions from the employer	414	373
Contributions from scheme participants	113	124
Benefits paid	(328)	(319)
	<hr/>	<hr/>
At 31 March	<u>17,356</u>	<u>16,802</u>

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2018	2017
	£'000	£'000
Equity instruments	12,670	12,434
Debt instruments	2,777	2,856
Property	1,388	1,176
Cash	521	336
	<hr/>	<hr/>
	<u>17,356</u>	<u>16,802</u>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

19 Share capital

	2018 £'000	2017 £'000
At beginning of year	12	12
Issued during the year	4	-
Cancelled during the year	-	-
	<hr/>	<hr/>
At end of year	<u>16</u>	<u>12</u>

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

No shareholders have any rights in the residual interest in the assets of the Association after deducting all liabilities.

20 Statement of Cash Flows

	2018 £'000	2017 £'000
Cash flow from operating activities		
Surplus for the year	3,802	4,341
Adjustment for non-cash items:		
- Depreciation of property, plant and equipment	1,874	1,826
- Amortisation of Intangible Assets	9	-
- Write off on Replacement Repairs	142	49
- Decrease / (increase) in inventories	80	(79)
- Decrease in debtors	3,908	3,693
- (Decrease) in creditors	(1,239)	(3,476)
- Loan refinancing costs written off	22	-
- Pension costs less contributions payable	165	68
- Carrying amount of other tangible fixed assets disposals	514	386
- (Increase) in fair value of investment property	-	(1,555)
Movements in working capital	533	1,817
	<hr/>	<hr/>
Net cash generated by operations	<u>9,810</u>	<u>7,070</u>

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

21 Financial commitments

Capital commitments are as follows:

	2018 £'000	2017 £'000
Contracted for but not provided for	923	758
Approved but not contracted for	-	3,095
	<u>923</u>	<u>3,853</u>

There are sufficient funds available to finance these commitments within the Group.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Payments due:		
- within one year	117	-
- between one and five years	490	-
- after five years	16	-
	<u>623</u>	<u>-</u>

22 Housing stock

	2018 Units	2017 Units
Owned		
Housing accommodation below affordable rent	1,929	1,946
Housing accommodation at affordable rent	82	72
Housing accommodation for particular client groups	790	791
Shared ownership accommodation	13	13
Housing accommodation at market rent	9	9
Housing accommodation owned at end of year	<u>2,823</u>	<u>2,831</u>
Managed		
Housing accommodation below affordable rent	97	88
Housing accommodation at affordable rent	146	111
Housing accommodation for particular client groups	87	87
Shared ownership accommodation	136	88
	<u>3,289</u>	<u>3,205</u>

Properties managed on behalf of other Registered Providers are included above.

South Northants Homes Limited

Notes to the Financial Statements

For the year ended 31 March 2018

23 Related party transactions

Tenant Board Members

There were no Tenant Members of the Board as at 31 March 2018.

Board Members nominated by South Northamptonshire Council

The Board members nominated by South Northamptonshire Council, who served during the year were:

Lizzy Bowen (resigned May 2017)

Council Board Members are not able to use their position to gain any advantage. No other significant transactions with the Council took place except for those associated with normal housing arrangements.

South Northants Homes Limited has taken advantage of the exemption to not disclose transactions with entities which are wholly owned members of the Group.

24 Ultimate controlling party

The ultimate controlling party of South Northants Homes Limited is the Board of Grand Union Housing Group Limited. The Annual Financial Statements of the Group and Association are publicly available; copies of which are available upon request from the registered office or the website.

25 Post balance sheet event

On 17 July 2018 the boards of Grand Union Housing Group, Aragon Housing Association, South Northants Homes and Rockingham Forest Housing Association agreed to an amalgamation to take place in October 2018.