Soho Housing
Annual Report and Accounts
2019-20

Group Information

Chair	Lesley Roberts	
Board members	Mark Ewing	
	Rosemary Farrar	
	Mark Gilkes	
	Wendy Hardcastle	
	Harry Harris	Co-opted: 1st October 2019
	Dickon Robinson	
	Nick Stonley	Resigned: 1st November 2019
	Jeremy Titchen	
	Kerry Tromanhauser	Resigned: 12th December 2019, co-opted: 23rd March 2020
	Vivienne King	Chief Executive and ex officio member, resigned: 31st March 2020
	Anne McLoughlin	Chief Executive and ex officio member, appointed: 18th May 2020
Secretary	Jane Harrison	Appointed: 4th November 2019
Senior executives	Vivienne King	Chief Executive, until 31st March 2020
	Anne McLoughlin	Chief Executive, from 18th May 2020
	David Morrow	Finance Director, until 4th June 2019
	Sean Reid	Interim Finance Director, from 1st July to 4th November 2019
	Jane Harrison	Finance Director, from 4th November 2019
	Charles Mtakati	Operations Director, until 30th June 2019
	Sue Philpott	Interim Housing Director, from 1st May 2019 to 31st March 2020
	Richard Smith	Operations Director, from 9th March 2020
	John Wallace	Commercial Director
Registered office	4th Floor, 120 Charing Cross Road, London WC2H 0JR	
Principal solicitors	Devonshires	30 Finsbury Circus, London EC2M 7DT
Principal bankers	Lloyds Bank	39 Threadneedle Street, London EC2R 8AU
Independent auditors	BDO LLP	2 City Place, Beehive Ring Road, Gatwick RH6 0PA
Registrations	Registered provider: LH1321	
	Registered Co-operative & Community Benefit Society: 20784R	

Contents

Performance Highlights 2019-20

31
Lettings

26%

Operating margin

18%

Operating margin - social housing lettings

£2.19m

Repairing and improving homes

Expenditure on works to existing properties

3,570
Repairs

Gas compliance 100%

£1.84m

Commercial lettings income

Chair's Report

Since its foundation in 1974 by a group of local heroes, committed to providing quality housing solutions for local people, Soho Housing's sense of purpose has been clear. In everything we do we are driven by the vision to create quality homes that people are proud to live in, in environments they want to be in and enjoy. Guided by our core values of Enterprise, Inclusion and Guardianship, we celebrate the rich diversity of London as a global city.

Now, more than ever, Soho Housing has a distinct contribution to make to the local lives and communities around us. In addition to proudly providing genuinely affordable homes in one of the most expensive locations in the country we run a for-profit commercial arm that provides high quality retail units in some of the most celebrated locations in the West End. In turn this supports our ability to build high quality new homes and an example of this is our development at 59 Greek St which was shortlisted for Best Small Developer of the Year at both RESI and Inside Housing Development Awards.

This year was marked as one of consolidation for Soho Housing and getting back to basics. In the early part of the year we identified areas in the control environment that could be improved upon. We addressed these pro-actively. We fortified our compliance framework in order to ensure that the safety of our residents was maximised. We completed our stock condition evaluation to reinforce our long-term financial planning. And we stabilised our staff team, after a period of change, ending the year with nearly all staff permanently placed. All in all, we strengthened our foundations in order to build new capacity for growth. The coming year we will build up from this base as we prepare a new corporate plan capable of navigating the 'after Covid' world.

Soho Housing has always been directly influenced by our residents. They underpin our purpose, they are our founders and also represent a high proportion of our shareholders. Resident engagement is essential for us to function effectively. During the year our new Residents' Collaborative Assessment Panel (ReCAP, for short) completed its first year. I thank our resident panel members for engaging in business delivery to bring their lived experience perspective to service development. The review of the complaints process and resultant policy has brought a new focus to building understanding and early resolution. We really value resident insight and will work in the coming year to further expand the number of voices we hear from within in our resident base.

At the financial year end, our CEO, Vivienne King, left Soho Housing after four successful years. I thank Vivienne for her leadership and her commitment. We all wish her well in her new role leading Revo the retail property professionals. Our new CEO, Anne McLoughlin BA (Hons), MCIH, joined us in May 2020. She has a long track record in leadership and governance in social housing and profit for purpose.

I have been immensely proud of how the Board and the whole Soho Housing team responded to the immediate challenges of the pandemic. Like many others we moved the whole operation online and worked to maintain essential services to our customers. Our commercial portfolio though has been particularly adversely affected. These challenging market conditions look set to remain for some time to come. It will be a focus for us in the coming year.

This coming year we will navigate the implications of Covid, Brexit and explore how we more meaningfully add value to our residents' lives and the community. It is highly likely that in the forthcoming recession that the vulnerable will be hardest hit. It is why we say, now, more than ever, Soho Housing has a distinct contribution to make. We are an anchor for our communities and an agent for growth and we will redouble our commitment to valuing diversity and promoting inclusion.

In addition, we will maximise the opportunities of the changed world. Social housing growth has generally been counter cyclical and we aim to capitalise on that by substantially strengthening our financial capacity. Stronger cost control in the latter half of 2019-20 has contributed to a much improved operating margin at 26% of turnover and our focus on improving operating performance through 2020-21 will include a new drive for efficiency and securing true value for money by focussing on quality.

We know that our success is gained and maintained through collaboration with our stakeholders and partners. So, in addition to the Board and the Soho Housing team, I thank our residents, shareholders, commercial tenants, community partners, local authorities, advisors and valued partners for their continued contribution to and support of Soho Housing.

Yours faithfully

Lesley Roberts
Chair of the Board

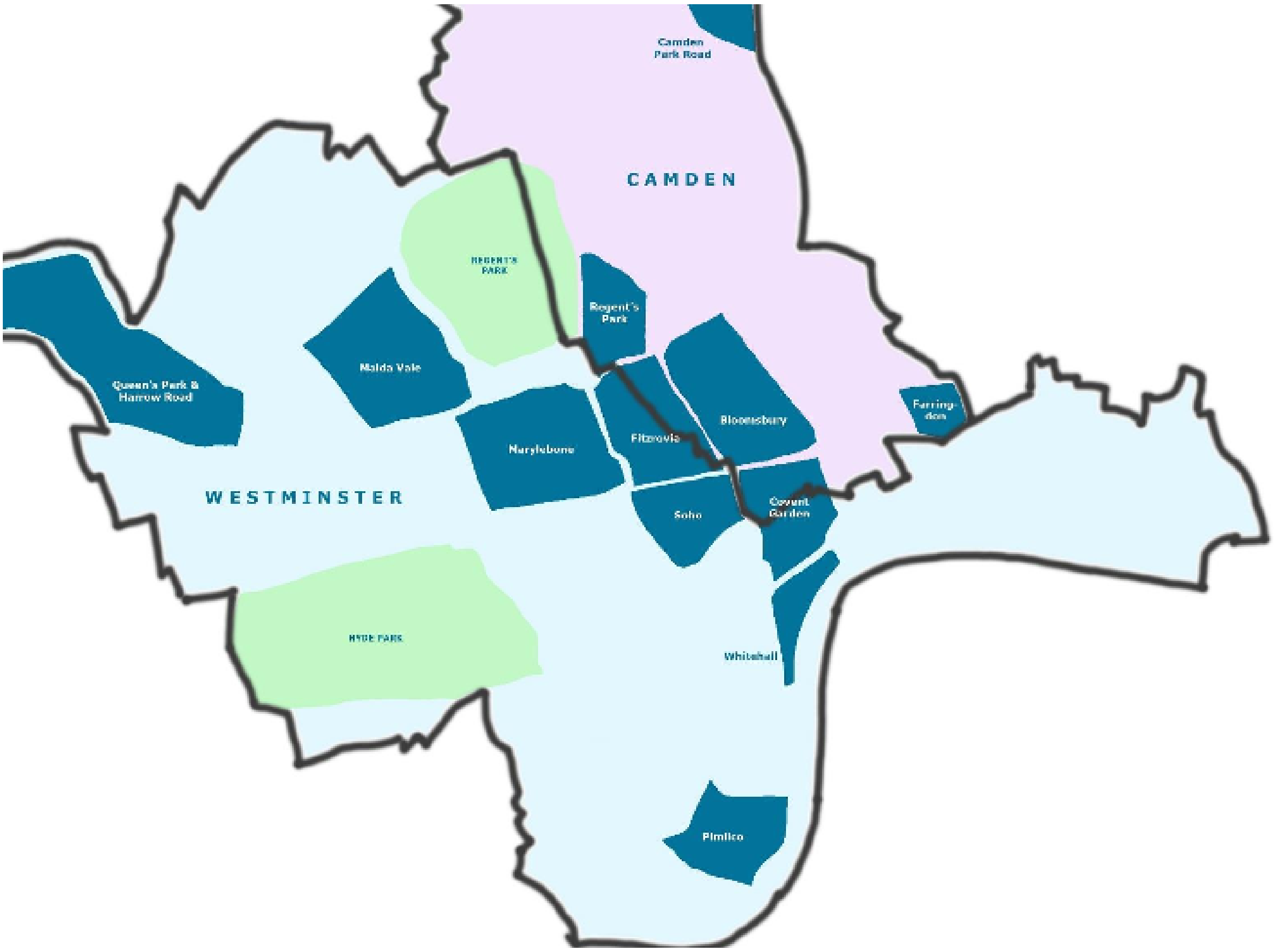
Report of the Board and Strategic Report

Background

Established in 1974, Soho Housing (the Association) provides homes for some 1,500 people in Central London, across two Boroughs: Westminster and Camden. Many of our properties are in Soho and Covent Garden, as well as in the Queens Park and St John's Wood areas. The Association is a charity and most homes are at social rents, less than 50% of market rent levels, making them more affordable for people on low incomes.

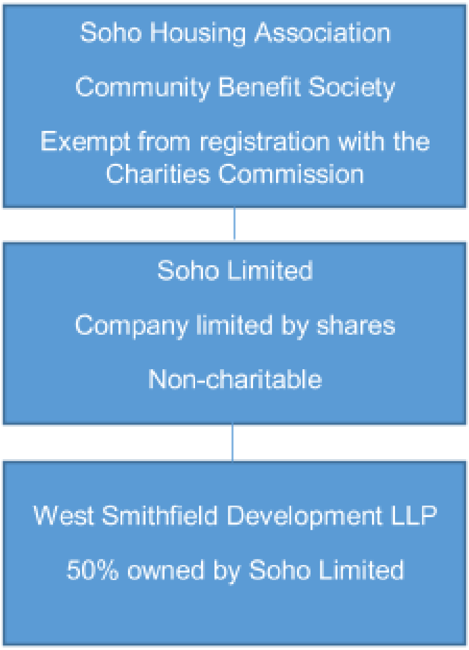
The Association works closely with local community groups and stakeholders such as the Soho Society to strengthen local communities. Investment income generated from the small market rent and commercial property portfolio is used to support community activities as well as investment in new and existing homes. It is this aspect, together with the focus on a tight geographic area of Central London, that differentiates the Association from other housing associations.

Over the past two years, whilst retaining its five strategic objectives, the Association has undergone a change in direction. A focus on growth, underpinned by surpluses from investment in a joint venture, had delivered over 50 new homes in 5 years. Alongside the homes, the Association expanded the commercial property portfolio so that the annual rent roll from commercial tenancies is some £2m. Last year's Strategic Report flagged the change in direction: to focus on investing in existing properties through a substantial major works programme as well as identifying 'hidden homes' for development from the existing footprint through infilling or remodelling to increase the number of homes we offer for people who are unable to rent or buy on the open market, albeit at a lower rate than previously.



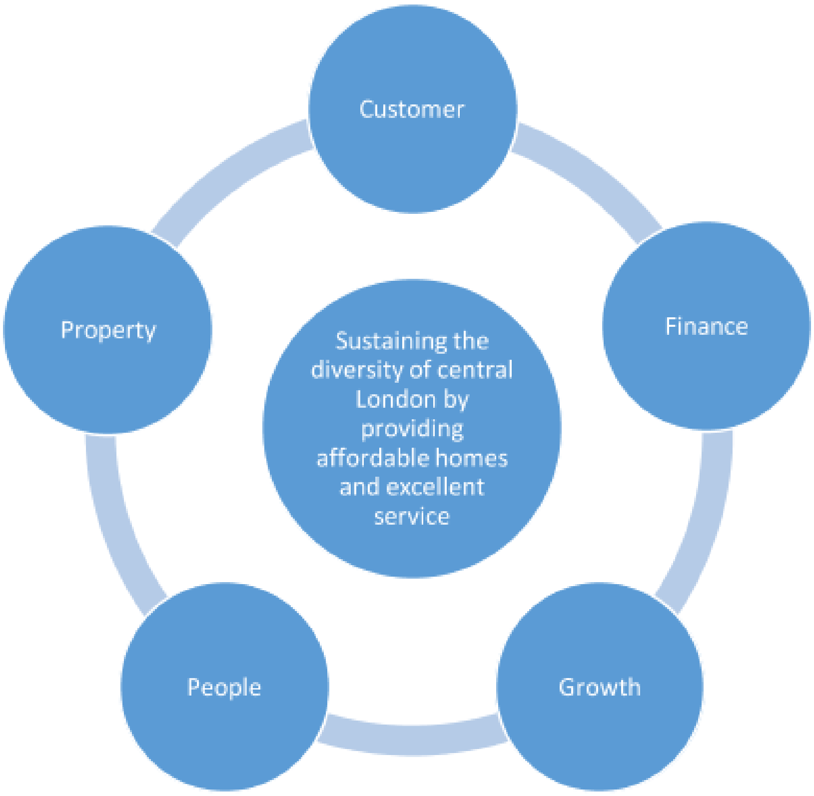
Structure

The Association is the parent of a wholly owned subsidiary, Soho Limited, a company limited by shares, which was established as a brand to oversee the commercial and joint venture activities. The joint venture, West Smithfield Development LLP, in which Soho Limited has a 50% share, is complete with a small residual balance to be returned to Soho Limited.



Strategic objectives

The Association has a clear mission: to provide quality homes that people are proud to live in, in environments they want to be in and enjoy. The business strategy covers five key areas, underpinned by a focus to be recognised for sustaining the diversity of central London by providing affordable homes and excellent service with core values: Enterprise, Inclusion, Guardianship



Performance against targets for 2019-20 is summarised below. In common with many businesses, our plans have been impacted by the Covid 19 pandemic that has a significant impact on our residents, commercial tenants, staff and stakeholders. The next steps in our business strategy have been modified from previous plans but still reflect strategic imperatives: to provide safe, secure and affordable homes for our customers; maintain a financially sound business; manage our investment portfolio to support future developments and investments; and enable our staff to adapt and adopt new working practices that ensure risks are appropriately managed and mitigated.

Customer

Looking to capitalise on our small size and local expertise and secure high levels of customer engagement and satisfaction. A key focus during the year was implementation of the new housing management system on MS Dynamics to strengthen central record-keeping and enable better, consistent customer service across the operations team:

Key Target	Outcome	Next steps
Increase customer satisfaction year on year	• Planned customer survey programme was interrupted by the Covid 19 lockdown and change towards mainly electronic communications	• The data generated by regular customer satisfaction surveys will be used to drive performance during 2020-21 • Programme of regular transactional and perception surveys being implemented within the new financial year to provide greater customer insight
Best in class modern customer processes	• New customer relationship module (CRM) implemented as part of a new housing management system • Use of software to inform arrears recovery and target support for people facing financial difficulties.	• Resident portal built as part of the Microsoft Dynamics CRM project is being assessed for its suitability in improving the customer experience with the intention to roll-out during the course of the year
Know our customers	• Tenancy audits suspended following feedback from residents.	• Revised approach for tenancy audits will be introduced in the second half of 2020-21 • Project to capture enhanced data of our customers is included in the operation's business plan for 2020-21

Finance

Growing surpluses to enhance capital value.

Key Target	Outcome	Next steps
Strong financial management to achieve target operating margin	• A focus on driving down cost in the second half of the financial year has contributed to a significantly improved operating margin, exceeding target	• Impact of the Covid 19 lockdown on our commercial tenants in particular has substantially reduced the 2020-21 budget envelope • Cost reduction targeted during 2020-21 to achieve planned operating margin
Drive business performance and value for money	• Clear performance targets and management focus and oversight from new Finance Director have contributed to stronger performance in the second half of 2019-20	• Continued management oversight including regular review of performance against both short-term and longer-term targets to strengthen operating margin and build reserves that will underpin future investments • Re-procurement of insurance and IT support
Internal controls effectively mitigate risk and secure compliance	• Key controls implemented during the year included purchase ordering system covering all purchases and works orders with clear delegations for authorising spend commitments	• Initial finance system upgrade in early 2020-21 will implement electronic invoice authorisation, streamlining the payment process • Second stage will be purchase to pay to automate the end to end commitment/payment process, including strengthened IT controls

Growth

Identifying new business and active investment strategies for sustainable long-term growth.

Key Target	Outcome	Next steps
Manage investments to outperform commercial target	• Throughout the year a key focus was to secure new tenants and renew existing tenancies so achieve 100% occupancy. Shortly after meeting this target the initial impact of the pandemic affected some of our	• Immediate support for commercial tenants whose businesses are a core element of the local community • Develop strong understanding of position of different tenants with aim

Key Target	Outcome	Next steps
	commercial tenants and towards the end of the year the government-imposed lockdown meant many of our tenants' businesses closed temporarily. The financial impact is being felt in the 2020-21 accounts.	of working through the crisis maintaining tenancies • Identify future tenants in business types with good resilience to pandemic-type crises • Recover value in commercial portfolio
Sustainable growth to underpin strong long-term performance	• New long-term financial model to underpin and test future plans. Approved by Board and stress-tested in March 2020	• Regular update and review of long-term financial model by Board, including stress-testing that will include cashflow constraints – and risk mitigations
Active asset management for sustainable long-term returns	• New asset management strategy in development, reflecting stock condition surveys and planned major works • Appointment of Operations Director and Head of Property Services to lead asset management	• Review of major works programme currently underway; results will be used to inform future long-term programme

People

Building a high-performance culture with a clear, shared purpose in a great place to work.

Key Target	Outcome	Next steps
Exemplary team know-how and expertise to deliver purpose	• Significant changes throughout the year with a number of key positions occupied by interim staff • New experienced executive team appointed during, or shortly after, the year	• Remote working enforced through government lockdown, together with social distancing requirements, will affect how we work • Purpose is unchanged but means of delivery expected to be different
Consistently improve staff engagement through supportive culture	• Achieved: team cultural survey achieved 88% engagement against national average 72%.	• Focus on enabling people to work effectively having particular regard to ownership and outcomes
Give people the tools they need to do their jobs well	• Corporate and individual training needs assessed and delivered through the year. Shadowing in operation.	• Full training programme to be delivered 2020-21

Property

Actively managing our assets to provide safe, quality homes and business spaces.

Key Target	Outcome	Next steps
Complete stock condition survey and confirm major works programme	• Stock condition and building surveys in place improve portfolio knowledge • Asset management strategy (in progress) incorporates stock appraisal methodology.	• Complete asset management strategy to inform major works programme and drive value from existing assets
Robust commercial asset management	• Specialist team led by experienced commercial director in place from 1 April 2020	• Commercial strategy (May 2020) highlights the challenging external environment and the approach of the team to continue to work with commercial tenants to optimise returns
Safe and sustainable properties and operations	• Foundations laid include appointment of experienced Head of Property Services and Compliance Co-ordinator; and system to manage and report health and safety compliance • Programme of planned and major works initiated during the year, with contractors appointed. Some delay in window replacements due to planning applications but programme is continuing	• Access restrictions during lockdown have meant some delay in planned works although as restrictions lift the works to keep buildings warm and watertight continue • Planned compliance works programme under review to ensure essential checks completed on time and legal obligations met with fire risk a priority

Governance

The Association has a committed body of shareholders including founder members of the Association, residents and people with local connections or business interests. Two shareholder meetings are held each year to consider and approve board member applications; review organisation performance and direction; and strengthen lines of communication and engagement.

The Association's board comprises up to eleven non-executive members plus the chief executive with meetings taking place every two months. Details of board members, who have a broad range of knowledge and experience, are included on page 1. Two board members are current residents and under the Association's rules a maximum of three residents may serve as board members at one time.

The Board delegates some of its responsibilities to committees with clear terms of reference and delegated authority. The sub-committees, made up of board members, meet at least quarterly and report back to the board, where their recommendations are considered and approved where appropriate.

Our appointments policy for non-executive board and sub-committee members is skills based and aims to ensure appropriate representation reflecting business need and the communities in which we operate. Members undergo a comprehensive induction programme with on-going training provided through attendance at conferences as well as formal training courses. Each member is expected to attend at least 80% of meetings each year and all board members are subject to regular performance appraisal.

The board members who served throughout 2019-20 and up to the date of this report are listed on page 1. Non-executive board members receive no remuneration and indemnity insurance is provided through the NHF insurance scheme.

Soho Housing Board

Providing strategic oversight in delivery of corporate objectives

Audit and Risk Committee	People and Governance Committee	Soho Limited Board
Overseeing risk management strategy, financial and other internal controls systems, standards of probity and internal and external audit	Responsible for remuneration; Board recruitment and effectiveness; governance and conduct; and committee effectiveness	Co-ordinating commercial activities, overseeing development and major works programmes. identifying new opportunities and raising business profile
Members: Rosemary Farrar (Chair) Mark Ewing Dickon Robinson Kerry Tromanhauser (Co-optee)	Members: Mark Gilkes (Chair) Wendy Hardcastle Lesley Roberts Kerry Tromanhauser (Co-optee)	Members: Jeremy Titchen (Chair) Harry Harris (Co-optee) Lesley Roberts Dickon Robinson

The Association has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and has committed to uphold it and keep to the high standards expected. Compliance is reviewed annually. Responsibility for the annual performance appraisal of the Chief Executive rests with the board and has not been specifically delegated to a committee, as required under this Code of Governance. There are no other areas of non-compliance to report.

The Board delegates strategy implementation and day to day management of the business to the Chief Executive and Executive Directors. The executive team changed throughout the course of 2019-20 with new permanent appointments of Finance Director and Operations Director in the second half of the year. The Chief Executive resigned and following a notice period left the business at 31 March 2020; with the new permanent appointee, Anne McLoughlin, starting in May 2020.

Financial performance

The Board is pleased to report an operating surplus for the year of £2,421k (2018-19: £1,927k, restated), an increase of £494k or 25% in what was the last year of the four-year rent reduction. An important factor is lower depreciation, following an in-depth review of capital accounting during the year that led to re-assessment of asset lives, as well as continued focus on cost reduction across the business which is continuing into the new financial year.

Performance over the last three years as reported in the statutory accounts is summarised below.

Three-year summary of performance:

Statement of Comprehensive Income	2019-20	2018-19*	2017-18
	£'000	£'000	£'000
Turnover:			
Social housing activities	6,636	6,460	6,738
Non-social housing activities	2,574	2,653	2,419
	9,210	**9,113**	**9,157**
Operating costs:			
Social housing activities	(5,707)	(6,631)	(6,693)
Non-social housing activities	(1,082)	(555)	(587)
	(6,789)	**(7,186)**	**(7,280)**
Operating surplus – social housing	**929**	**(171)**	**45**
Operating surplus – non-social housing	**1,492**	**2,098**	**1,832**
Operating surplus – all activities	**2,421**	**1,927**	**1,877**
Income from joint venture	-	50	349
Interest	(1,524)	(1,516)	(1,317)
Movement in valuation of investment properties	(3,891)	2,448	3,805
Tax	-	-	237
Deficit/surplus for the financial year	(2,994)	2,909	4,951
Movement in valuation of pension	842	(883)	-
Total comprehensive income for the year	(2,152)	2,026	4,951

Statement of Financial Position	31 March 2020	31 March 2019*	31 March 2018
	£'000	£'000	£'000
Fixed assets:			
Housing properties and other assets	97,055	97,778	90,182
Investment properties	60,173	64,016	65,157
	157,228	161,794	155,339
Net current (liabilities)/assets	(453)	1,099	1,842
Total assets less current liabilities	156,775	162,893	157,181
Debt	(32,342)	(33,273)	(33,150)
Deferred grant and other long-term liabilities	(48,301)	(51,336)	(50,155)
Net assets	76,132	78,284	73,876
Reserves	76,132	78,284	73,876

Statistics	2019-20	2018-19*	2017-18
Operating margin	26%	21%	20%
Operating margin – social housing activities	14%	(3%)	1%
Operating margin – social housing lettings	18%	8%	12%
(Deficit)/surplus as % of turnover	(32%)	32%	54%
Properties owned and managed	**No**	**No**	**No**
General needs housing	732	732	728
Market rented housing	23	23	23
Low-cost home ownership and leasehold	25	25	25
	780	780	776
Commercial properties	35	35	35

*2018-19 figures restated for prior year adjustment (increase to opening housing property assets and reserves £2,382k)

The financial year 2019-20 has been a period of considerable change for the Association. In the early part of the year adequacy of financial control was a concern for the board and a number of interim appointees joined to scrutinise cost, controls and procedures across the business, including review of capital accounting and update of the long-term financial model. Alongside the financial activity a major works programme was commissioned, based on internal and external stock condition surveys and this will be implemented over the next twenty years, and beyond.

The movement in surplus/deficit from last year to this is summarised in the 'profit bridge' below:

	£'000	
Total comprehensive income 2018-19	**2,026**	Restated to reflect change in depreciation
Add:		
Rent uplift	100	Includes commercial/market rent
Maintenance cost savings	500	Procurement savings and lower activity
Salary cost increase	(450)	High number of senior interim staff
Development cost savings	336	Development during the year less than planned
Improvement in operating surplus	486	
Decrease in surplus from JV	(50)	
Increase in pension valuation	1,725	Movement from last year (which was decrease of £883k)
Reduction in investment property valuation	(6,339)	Movement from last year (which was increase of £2,448k)
Total comprehensive income 2019-20	**(2,152)**	

A focus on cost control has contributed to the improved operating surplus of 26%. Lower depreciation and maintenance costs were key factors although high costs associated with senior interim appointments and recruitment of permanent staff had a negative impact.

Lower depreciation and maintenance costs were also key to delivering a substantially improved operating margin from social housing activities of 14% (2019: (3%)). A review of the methodology for apportioning central overheads was also a factor. Going forward our medium-term ambition is to increase the operating margin from social housing activities to 30% and beyond.

Accounting treatment of the movements in valuations of pension deficit and of investment properties means that the total annual reported surplus or deficit may swing considerably from year to year, depending on the assumptions adopted at a point in time. Over the past few years the valuation of commercial properties has increased and for the last two years the upwards valuation has amounted to £6.3m. However, this year the impact of government policy changes as a result of the Covid 19 pandemic have been significant for commercial and market rent properties in Central London. At 31st March 2020 the valuation of £60.2m for the Association's commercial and market rent properties was lower than the previous year by £3.9m with a consequent reduction in the surplus for the year, resulting in a deficit taken to reserves.

The outcome of the review of capital accounting referred above has been a correction to values previously attributed to housing property components together with a reassessment of asset lives that has lowered the depreciation charge this year and in future. The correction to housing property component values has been adjusted in the previous year's opening position ('prior year adjustment') as a £2.4m increase. The increase in component values together with stronger operating performance in 2019-20 means that the overall reserves increase by £345k from prior year position as previously reported.

Value for Money

Value for money is about being effective in the way we plan, manage and operate our business. Our focus on sustaining the diversity of Central London by providing affordable homes and excellent service is the core of our strategy. In order to keep on delivering it is essential that we apply financial rigour to improve our operating performance so that we are able to generate greater returns from our assets to reinvest in both new and existing homes.

In the preceding financial year, the operating margin from social housing activities appears very low. A review of cost allocation methodology for the 2019-20 financial accounts has resulted in a greater proportion of fixed cost including central staff and office costs being allocated to the commercial and market rent activities with a consequent reduction in social housing management costs. The change in cost apportionment has contributed to a higher operating margin from social housing lettings with other factors being lower depreciation (following the review of capital accounting) and lower maintenance costs (reflecting strengthened procurement and contract management for both day to day and planned works, re-tendered during the year, as well as some delay in undertaking certain works due to planning delays and difficulties sourcing contractors).

The 'Sector Scorecard' performance measures for the last three years are set out below against a benchmark based on reported performance of five smaller registered providers based in London. The comparative group comprised: Hillside Housing, Inquilab, Islington & Shoreditch Housing, Thames Valley Housing and Industrial Dwellings Society.

The target for 2020-21 is based on a budget revised to reflect the impact of Covid 19. The effect is slower development than originally anticipated with a focus on at least sustaining operating performance to enhance interest cover, strengthen underlying reserves and underpin future investment and reinvestment.

Performance measures

		Soho Housing			Benchmark
	Target 2020-21	2019-20	2018-19*	2017-18	2018-19
Reinvestment	0.5%	**0.5%**	1.8%	12.6%	**2.0%**
New supply – social housing units	0.5%	**0%**	2.0%	2.0%	**0.9%**
New supply – non-social housing units	0%	**0%**	4.0%	17.0%	**0.0%**
Gearing	32%	**31%**	32%	39%	**41%**
EBITDA-MRI	133%	**197%**	138%	182%	**249%**
Headline social housing cost per unit	£7,180	**£6,343**	£8,113	£6,934	**£4,430**
Operating margin – social housing lettings	15%	**18%**	8%	11%	**30%**
Operating margin – overall	21%	**26%**	21%	20%	**32%**
Return on capital employed	1.2%	**1.5%**	1.2%	1.2%	**3.7%**

*2018-19 figures restated for prior year capital accounting adjustment

Headline social housing cost per unit has reduced substantially from the prior year and is also better than benchmark, against smaller London-based registered providers. We anticipate this measure will increase initially in 2020-21 and 2021-22 as we invest more in our existing properties through major works but will then reduce as we continue to bear down on cost, in particular central overheads.

In last year's value for money statement future plans identified included:

- Procurement of a major works programme to meet our commitment for safe and quality homes – in 2019-20 the work started, although progress has been slow. The nature of our properties means that for window replacements and some other external works we need to apply for planning permission which had not been factored into the timing of our planned works, which are now expected to start in 2020-21.
- Re-procurement of maintenance services through competitive tender – completed during the year and whilst the original start date for the new contractors was 1 April 2020 this was brought forward to 1 March.
- Working with local authority partners and other organisations to signpost residents to benefits as well as local services and activities – the established partnerships meant that we were well placed to work with residents affected by the Coronavirus pandemic and continue to collect rental income.

The Association's long-term financial plan was remodelled and approved by Board in January 2020. Stresses applied to the model focused on liquidity, including significant reduction in commercial income. The Board agreed mitigations including maintaining cash reserves at least equivalent to 2-months expenditure.

Coronavirus started to affect activity in Central London in the last quarter of the financial year and in particular in the last two weeks of the financial year. The cessation of commercial activity in Soho and the surrounding areas had an immediate impact on the Association's commercial tenants, some of whom were unable to trade, almost overnight. Whilst the effect for the Association's accounts for the 19-20 financial year was limited, the negative cashflow impact from a sharp reduction in commercial receipts has been pronounced in the first quarter of 2020-21.

Strong budgetary controls implemented during 2019-20 have continued to apply in the new financial year and budgets have been reset. The Association continues to reduce costs in order to strengthen social housing operating performance. Resident health and safety is also a focus. During the lockdown period our contractors provided emergency repairs and continued to undertake compliance checks to meet legal obligations. Moving forward in 2020-21 major works are restarting, continuing the investment programme which is focusing on improvements to existing homes alongside very modest development plans.

Whilst we have not completed any new homes during the year, at the year-end new homes under development include a s106 acquisition in Soho which is now expected to complete in 2021-22, providing eight new homes for affordable rent. Alongside this our approach is to identify 'hidden homes' in our existing footprint to maximise the value we generate from our housing stock.

Risk

Key risks to the delivery of the Association's plans are identified, reviewed and revised throughout the year by the executive, the Audit and Risk Committee and the board and are summarised below.

Risk	Comments	Mitigation
Health and safety	The health and safety of our residents, staff and contractors remains a key concern, particularly in light of failings across the wider housing sector highlighted in the Hackitt Report. During the Covid 19 pandemic the lockdown restrictions and virus contagion have added further challenges in maintaining safe properties whilst protecting residents, contractors and staff.	A compliance dashboard recently developed by the property services team to show live, up to date information relating to property compliance is reviewed weekly by the Operations Director, with KPI reporting to the Executive and Board.
Asset management	Strategic asset management depends on comprehensive, accurate and accessible information used to develop and monitor investment and re-investment in the property portfolio.	Stock condition survey outputs reflected in the asset management system and underpin the major works programme Capital accounting system reviewed and renewed in 2019-20, aligning asset management and financial information reflected in the long-term financial model. Revised asset management strategy under development during 2020-21 to support future investment/retention decisions
External policy change	The impact of external policy change, for example centrally imposed rent reduction, has proved significant for Registered Providers over the past four years. More recently risk management arrangements including business continuity plans have been tested by the Covid 19 lockdown which has affected our residents, commercial tenants and working practices. Uncertainties regarding both central and local government policy remain, in particular the impact of the Covid 19 pandemic and Brexit on the wider economy.	Long-term financial model developed and stress-tested for a range of risk including future rent reduction, income deflation but cost inflation and property market collapse. Regular updates for the board highlight change in the political landscape as well as identifying future areas of expected focus for example environment and sustainability. Links with local government and community groups strengthen the Association's position within the community and help to place the Association in a strong position to identify and explore development and investment opportunities.
Commercial portfolio	The Covid 19 lockdown has highlighted the risk of investing in commercial property but for the Association these tenancies not only deliver a commercial return but also support our social imperative.	An updated commercial strategy highlights working with existing and new tenants to support enterprise in the community whilst delivering strong rent streams from our investments
Financing	The Association's gearing is in line with benchmark and indicates adequate borrowing capacity, coupled with asset values that offer significant additional security. As a smaller Registered Provider a key risk area is liquidity and this remains a focus for the Board.	Our recently appointed Treasury advisors are supporting a review of capacity. One constraint is interest cover and the revised 2020-21 budget focuses on further strengthening operating performance. Cash management remains a priority for the Finance Director and will continue to be scrutinised closely over the next year

Internal Controls Assurance

The Board acknowledges its ultimate responsibility for ensuring the Association has in place a system of controls that is appropriate to the various business environments in which it operates and for monitoring its effectiveness. The system is designed to manage the risk of failure to achieve business objectives and give reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the year under review and up to the date of approval of the report and accounts. The Board has delegated the authority for overseeing risk management and internal controls assurance to the Audit and Risk Committee but receives regular updates on risk and controls assurance. A summary of the main policies the Board has established and the processes it has adopted is set out below:

- Formal policies and procedures approved, including clearly defined management responsibilities for the identification and control of significant risks. At a time of considerable change in the executive team the clarity regarding responsibility is critical
- Financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks and progress towards financial objectives set for the year and the medium term. Usually the budget is reforecast in the second half of the financial year to ensure targets set by Board are achieved. However, for the current financial year a revised budget has been approved by the Board, recognising the unusual and unforeseen circumstances we are now operating in
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board, in line with clear delegations
- The Board has approved anti-fraud, anti-bribery and anti-corruption policies
- A treasury policy has been approved by the Board with key treasury risks including covenant compliance, counterparty risk and interest rate risk reviewed quarterly
- Following a tender process, the Board appointed Mazars as internal auditors during the year, replacing the previous long-term incumbents Beever & Struthers. The Board has delegated responsibility to the Audit and Risk Committee to review and report to the Board on reports from management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.

A fraud register is maintained and is reviewed by the Audit and Risk Committee at each meeting. There were no frauds recorded in the year. The Board receives and reviews the minutes of Audit and Risk Committee meetings.

The Audit and Risk Committee play a key role in monitoring the internal control environment and has received and considered the annual report of the internal auditor.

Going concern

After making enquiries, the Board has a reasonable expectation that the overall group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Key factors considered in coming to this decision are:

- Long-term (30-year) financial model supports the Association's current and future plans
- Stress-testing of the long-term financial model included substantial reduction in the commercial income (reflecting consideration of conditions resulting from the Covid 19 pandemic) and identified mitigations
- Short-term cashflow scrutiny shows funding is in place to meet expected commitments and manage shortfalls in commercial cash receipts over the next twelve months
- Treasury policy 'golden rules' confirmed to aid risk management
- No requirement for short-term government funding (as part of our response to the Covid 19 pandemic).

For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of responsibilities of the Board for the Annual Report and Accounts

The Board is responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business; and
- State whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting for registered social housing providers (Housing SORP: 2018 update) have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them 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 2019. They are also responsible for safeguarding the assets for the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Strategic Report is prepared in accordance with the Statement of Recommended Practice for registered social housing providers (Housing SORP: 2018 update).

At the date of making this report, each of the Board members, as set out on page 1, confirms that in so far as each member is aware:

- There is no relevant information needed by the group's auditors in connection with preparing this report of which the group's auditors are unaware; and
- Each member has taken all the steps that he or she ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website and that of it's subsidiary Soho Limited, is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of compliance

The Board has undertaken an assessment of the Association's compliance with the governance and financial viability standard as required by the Accounting Direction 2018. As noted in last year's Annual Report, in May 2019 the Association reported to the Regulator errors identified in previous years' rent calculations for a small number of residents. No regulatory action was taken and all affected residents were reimbursed. The Board confirms that no evidence of non-compliance has been identified since the last report. In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for registered social housing providers (Housing SORP: 2018 update).

Annual general meeting

The annual general meeting will be held on 9th September 2020.

External auditors

The re-appointment of BDO LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 27 July 2020 and signed on its behalf by:

Lesley Roberts

Chair of the Board

Report of the Independent Auditor

Opinion

We have audited the financial statements of Soho Housing Association Limited ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2020 which comprise the consolidated and association statement of comprehensive income, the consolidated and association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. Other information comprises the information included in the 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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 16, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

BDO LLP

BDO LLP

Statutory Auditor

Gatwick

6 August 2020

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

Statement of Comprehensive Income

	Note	Year ended 31 March 2020		Year ended 31 March 2019 (Restated)	
		Group	Association	Group	Association
		£'000	£'000	£'000	£'000
Turnover	**2**	9,210	9,210	9,113	9,113
Operating expenditure	**2**	(6,789)	(6,789)	(7,186)	(7,186)
Operating surplus	**2**	2,421	2,421	1,927	1,927
Donation from subsidiary	**14**	-	-	-	50
Share of surplus from joint venture	**14**	-	-	50	-
Interest receivable		7	7	4	4
Interest and financing costs	**6**	(1,531)	(1,531)	(1,520)	(1,520)
(Decrease)/increase in valuation of investment properties	**13**	(3,891)	(3,891)	2,448	2,448
(Deficit)/surplus for the year		(2,994)	(2,994)	2,909	2,909
Actuarial gain/(loss) in respect of pension scheme	**10**	842	842	(883)	(883)
Total comprehensive (expense)/ income for the year		(2,152)	(2,152)	2,026	2,026

The financial statements on pages 19 to 49 were approved by the Board on 27 July 2020 and signed on its behalf by:

Board Member:	**Board Member:**	**Secretary:**
Lesley Roberts	**Rosemary Farrar**	**Jane Harrison**

The notes on pages 23 to 49 form an integral part of these accounts.

Statement of Financial Position

	Note	31 March 2020		31 March 2019 (Restated)	
		Group	Association	Group	Association
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	**12**	97,055	97,055	97,778	97,778
Investment properties	**13**	60,173	60,173	64,016	64,016
		157,228	157,228	161,794	161,794
Current assets					
Trade and other debtors	**15**	1,745	1,745	2,119	2,119
Cash and cash equivalents	**16**	3,340	3,340	3,167	3,167
		5,085	5,085	5,286	5,286
Creditors: amounts falling due within one year	**17**	(5,538)	(5,567)	(4,187)	(4,216)
Net current (liabilities)/assets		(453)	(482)	1,099	1,070
Total assets less current liabilities		156,775	156,746	162,893	162,864
Creditors: amounts falling due after more than one year	**18**	(80,099)	(80,099)	(83,102)	(83,102)
Net assets excluding pension liability					
Pension liability	**10**	(544)	(544)	(1,507)	(1,507)
Net assets		76,132	76,103	78,284	78,255
Reserves					
Non-equity share capital	**21**	-	-	-	-
Income and expenditure reserve		44,504	44,475	42,765	42,736
Revaluation reserve		31,628	31,628	35,519	35,519
		76,132	76,103	78,284	78,255

The financial statements on pages 19 to 49 were approved by the Board on 27July 2020 and signed on its behalf by:

Board Member: **Lesley Roberts**

Board Member: **Rosemary Farrar**

Secretary: **Jane Harrison**

The notes on pages 23 to 49 form an integral part of these accounts.

Statement of Changes in Reserves

Group	Note	Income and expenditure reserve	Revaluation reserve	Total
		£'000	£'000	£'000
Balance at 1 April 2018 as previously stated		40,805	33,071	73,876
Prior year adjustment		2,382	-	2,382
Balance at 1 April 2018 restated		43,187	33,071	76,258
Surplus for the year		2,909	-	2,909
Actuarial (loss) in respect of pension scheme		(883)	-	(883)
Transfer to revaluation reserve from income and expenditure reserve		(2,448)	2,448	-
Balance at 1 April 2019 restated		42,765	35,519	78,284
Deficit for the year		(2,994)	-	(2,994)
Actuarial gain in respect of pension scheme		842	-	842
Transfer from revaluation reserve to income and expenditure reserve		3,891	(3,891)	-
Balance at 31 March 2020		44,504	31,628	76,132

Association	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2018 as previously stated	40,776	33,071	73,847
Prior year adjustment	2,382	-	2,382
Balance at 1 April 2018 restated	43,158	33,071	76,229
Surplus for the year	2,909	-	2,909
Actuarial (loss) in respect of pension scheme	(883)	-	(883)
Transfer to revaluation reserve from income and expenditure reserve	(2,448)	2,448	-
Balance at 1 April 2019 restated	42,736	35,519	78,255
Deficit for the year	(2,994)	-	(2,994)
Actuarial gain in respect of pension scheme	842	-	842
Transfer from revaluation reserve to income and expenditure reserve	3,891	(3,891)	-
Balance at 31 March 2020	44,475	31,628	76,103

The notes on pages 23 to 49 form an integral part of these accounts.

Consolidated Statement of Cash Flows

	Note	Year ended 31 March 2020	Year ended 31 March 2019 Restated
		£'000	£'000
Net cash generated from operating activities (see below)		3,269	2,185
Cash flow from investing activities			
Purchase of tangible fixed assets – housing properties		(473)	(1,762)
Purchase of tangible fixed assets – other assets		(78)	(487)
Purchase of investment property		(48)	(595)
Grants (repaid)/received		(69)	674
Distribution from joint venture		-	50
Interest received		7	4
Cash flow from financing activities			
Interest paid		(1,539)	(1,552)
New secured loans		-	1,000
Repayment of borrowings		(896)	(827)
Net change in cash and cash equivalents	**27**	173	(1,310)
Cash and cash equivalents at beginning of the year		3,167	4,477
Cash and cash equivalents at end of the year		3,340	3,167

	£'000	£'000
Cash flow from operating activities:		
(Deficit)/surplus for the year	(2,994)	2,909
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,274	1,251
Decrease/(increase) in trade and other debtors	374	(78)
(Decrease) in trade and other creditors	(52)	(251)
Increase in leaseholder funds	5	12
Difference between net pension expense and liability	(121)	-
Share of operating (surplus) in joint venture	-	(50)
Revaluation of investment properties	3,891	(2,448)
Adjustments for investing or financing activities:		
Government grants amortised	(632)	(643)
Interest payable	1,531	1,487
Interest received	(7)	(4)
Net cash generated from operating activities	3,269	2,185

The notes on pages 23 to 49 form an integral part of these accounts.

Notes to the financial statements

Legal Status
Soho Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 120 Charing Cross Road, London, WC2H 0JR.

The group comprises the following entities:

Name	Incorporation	Registered/Non-registered
Soho Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Soho Limited	Companies Act 2006	Non-registered

1. Principal Accounting Policies

Basis of Accounting
The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: 'Accounting by registered social housing providers (Housing SORP: 2018 update)'. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments and are presented in sterling.

The Group's financial statements have been prepared in compliance with FRS102, "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

The Group is a public benefit entity group and the Association is a public benefit entity, as defined by FRS 102.

Parent entity disclosure exemptions
In preparing the separate financial statements of the parent entity, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent,
- Disclosures in respect of the parent's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the group as a whole.

Basis of consolidation
The consolidated financial statements incorporate the results of Soho Housing Association Limited and all of its subsidiary undertakings as at 31 March 2020 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date, the Group obtains control.

Going concern
The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. In arriving at this conclusion the Board has reviewed short and longer-term forecasts, including stress-testing key assumptions regarding income collection and inflation, to confirm adequate cash resources and compliance with lender covenants.

Prior year adjustment
Following a review in the year of capital accounting policy and the amount originally allocated as separable components when component accounting was adopted, the Board have determined that an error was made in that component allocation. The impact has been higher depreciation charges in prior years than would have been experienced had the error not occurred. An adjustment to opening balances of £2,497k has been made to correct the error and further detail is set out in note 12. The opening balance adjustment comprises £115k reduction in depreciation for 2018-19 together with £2,382k adjusting the opening reserve at 1 April 2018.

Notes to the financial statements

1. Principal Accounting Policies (continued)

Judgements and key sources of estimation and uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Group capitalises development expenditure in accordance with the accounting policy described below. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties.** The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit, shared ownership, market rented or to earn commercial rentals. Wherever possible costs are allocated between the units based on actual costs incurred with common costs being allocated based on a combination of floor areas and expected future net revenue streams. Components are written off at net book value when replaced. The Group has determined that market rented housing property and commercial properties are investment properties.

c. **Impairment.** The housing property portfolio for the Group is assessed for indicators of impairment at each statement of financial position date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amounts of assets or cash generating units for which impairment is indicated to their recoverable amounts. Impairment indicators include void levels, changes in regulation that impact on the future rent levels, the outcome of stock condition surveys and external changes which impact on future cash flows (for example, maintenance costs). An options appraisal is carried out to determine which option has the highest net realisable value. Valuations on rental return or potential sale proceeds are used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

d. **Financial instruments.** Consideration is based on terms and conditions of each loan whether or not they are basic under FRS102.

Other key sources of estimation and assumptions:

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

b. **Revaluation of investment properties.** Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by qualified valuers and derived from market evidence for comparable properties.

c. **Pension and other post-employment benefits.** Management's estimate of the defined benefit obligation relating to the Association's past service deficit in the Social Housing Pension Scheme is based on a number of underlying assumptions such as standard rates of inflation, mortality and discount rates. Variation in these assumptions may significantly impact the defined benefit obligation. Further details are given in note 10.

Acquisition accounting
Soho Limited has been included in the Group financial statements using the purchase method of accounting. Accordingly, the Group statement of comprehensive income and statement of cash flows include the results and cash flows of Soho Limited for the year.

Notes to the financial statements

1. Principal Accounting Policies (continued)

Joint Ventures and Associates
An entity is treated as a joint venture where the Group holds an interest and shares control under a contractual arrangement with one or more parties external to the Group.

An entity is treated as an associated undertaking where the Group has a participating interest and exercises significant influence over its operating and financial policies.

In the Group accounts, joint ventures are accounted for using the equity method. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated income and expenditure account indicates the Group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the Group's share of the identifiable gross assets (including any amortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint venture are shown separately.

Any premium on acquisition is dealt with under the goodwill policy.

Turnover and revenue recognition
Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised in revenue on a time apportioned basis and is stated net of voids. Income from property sales is recognised on legal completion.

Support income and costs including Supporting People income and costs
Supporting People contract income received from Administering Authorities is accounted for as Supporting People income in Turnover (Note 2). The related support costs are matched against this income in the same note. Support charges included in rent (as service charges) are matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an accruals basis. The Association operates both 'fixed variable' and variable (leaseholders) service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are applied the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Where periodic expenditure is required a provision may be built up over the years in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Investment Income
Interest income is recognised using the effective interest method.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation
The Association's activities are charitable and so not liable to tax, to the extent that any surpluses are applied to the charitable objects. The subsidiary has no liability to tax as it distributes any taxable profits to the Association. Accordingly, no provisions for corporation and / or deferred tax have been recognised.

Value Added Tax
The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Notes to the financial statements

1. Principal Accounting Policies (continued)

Tangible fixed assets and depreciation:

Housing properties
Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source eg local authority are included in the Statement of Financial Position at fair value less consideration paid. Property disposals are recognised on completion of the sale.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories. In the financial year 2019/20 the useful economic life of the components were reviewed and revised in line with business practice.

UELs for identified components are as follows:

	Original UEL (Years)	Revised UEL (Years)
Structure	100	125
Roofs	60	70
Bathrooms	30	30
Windows	30	30
Doors	N/A	30
Lifts	15	50
Kitchens	25	20
Electrics	20	30
Heating source (including boilers)	15	15

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected useful lives which are as follows:

	Years
Fixtures & fittings	4 - 10
Computer equipment	5 - 7

Low cost home ownership properties
The costs of low-cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs
Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents
Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income. Where the agent carries the majority of the financial risk, income includes only that which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

Notes to the financial statements

1. Principal Accounting Policies (continued)

Leasing and hire purchase
Operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property
Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

Investments
Investments in subsidiaries are measured at cost less accumulated impairment.

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

Non-government grants
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social housing assistance and other government grants
Where developments have been financed wholly or partly by social housing assistance (SHA) and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHA received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When SHA in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHA must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHA can be used for projects approved by the Greater London Authority. However, SHA may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHA may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant
On disposal of assets for which non-repayable government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is released as income in the Statement of Comprehensive Income.

Recycling of capital grant
Where SHA is recycled, as described above, the SHA is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year. Recycling capital grant can be abated when sale proceeds are less than the original cost.

Employee Benefits
A liability is recognised to the extent of any employee benefits including unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted cost to the employees of the future holiday entitlement and accrued at the balance sheet date.

Notes to the financial statements

1. Principal Accounting Policies (continued)

Pension costs
The Association has in the past participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) although it has now closed this defined benefit scheme to new and existing members. The Association's obligation for past service deficits remains.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Reserves
The income and expenditure reserve represent the accumulated surplus generated by the Group or Association since its formation.

The revaluation reserve represents the difference between the fair value of investment properties and their historical cost carrying value and forms part of the income and expenditure reserve.

Financial instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Other financial instruments are classified as basic and are held at amortised cost.

Impairment of financial assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:
a. All equity instruments regardless of significance; and
b. Other financial assets that are individually significant.

Other financial instruments are assessed either individually or grouped on similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:
a. For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
b. For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

Notes to the financial statements

2(a). Turnover, cost of sales, operating expenditure and operating surplus

	2020		
Group	**Turnover**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**
Social housing lettings (note 3)	6,565	(5,359)	1,206
Other social housing activities			
Supporting people	15	(113)	(98)
Development administration	-	(235)	(235)
Pension scheme deficit cost	-	-	-
Management fees	56	-	56
	71	(348)	(277)
Activities other than social housing			
Commercial properties	1,836	(788)	1,048
Market rent housing	738	(294)	444
	2,574	(1,082)	1,492
Total	9,210	(6,789)	2,421

	2019 Restated		
Group	**Turnover**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**
Social housing lettings (note 3)	6,388	(5,872)	516
Other social housing activities			
Supporting people	14	(79)	(65)
Development administration	-	(615)	(615)
Pension scheme deficit cost	-	(39)	(39)
Management fees	58	(26)	32
	72	(759)	(687)
Activities other than social housing			
Commercial properties	1,878	(428)	1,450
Market rent housing	775	(127)	648
	2,653	(555)	2,098
Total	9,113	(7,186)	1,927

Notes to the financial statements

2(b). Turnover, cost of sales, operating expenditure and operating surplus

	2020		
Association	**Turnover**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**
Social housing lettings (note 3)	6,565	(5,359)	1,206
Other social housing activities			
Supporting people	15	(113)	(98)
Development administration	-	(235)	(235)
Pension scheme deficit cost	-	-	-
Management fees	56	-	56
	71	(348)	(277)
Activities other than social housing			
Commercial properties	1,836	(788)	1,048
Market rent housing	738	(294)	444
	2,571	(1,081)	1,490
Total	9,210	(6,789)	2,421

	2019 Restated		
Association	**Turnover**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**
Social housing lettings (note 3)	6,388	(5,872)	516
Other social housing activities			
Supporting people	14	(79)	(65)
Development administration	-	(615)	(615)
Pension scheme deficit cost	-	(39)	(39)
Management fees	58	(26)	32
	72	(759)	(687)
Activities other than social housing			
Commercial properties	1,878	(428)	1,450
Market rent housing	775	(127)	648
	2,653	(555)	2,098
Total	9,113	(7,186)	1,927

Notes to the financial statements

3. Turnover and operating expenditure

Group and association	**2020** **£'000**	2019 Restated £'000
Income		
Rent receivable net of identifiable service charges	5,144	5,050
Service charge income	789	700
Amortised government grants	632	638
Turnover from social housing lettings	6,565	6,388
Operating expenditure		
Management	(1,206)	(1,091)
Service charge costs	(909)	(876)
Routine maintenance	(1,469)	(1,812)
Planned maintenance	(474)	(838)
Major repairs expenditure	(198)	(133)
Bad debts	(35)	(28)
Depreciation of housing properties	(1,112)	(1,094)
Operating expenditure on social housing lettings	(5,359)	(5,872)
Operating surplus from social housing lettings	1,206	516
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	72	76

Notes to the financial statements

4. Accommodation owned and managed; and under development

	2020	2019
	Number	Number
Social Housing		
Under development at end of year:		
General needs housing social rent	8	8
Under management at end of year:		
General needs housing	732	732
Low-cost home ownership	2	2
	734	734
Non-Social Housing		
Under development at end of year:		
Market rented	0	0
Under management at end of year:		
Market rented	23	23

5. Accommodation managed by others

Soho Housing owns property managed by other bodies:

	2020	2019
	Number	Number
Centrepoint Soho Limited	26	26
St Mungo's Broadway	12	12
	38	38

Notes to the financial statements

6. Interest and financing costs

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Defined benefit pension charge	33	33	33	33
On loans wholly or partly repayable in more than five years	1,498	1,523	1,498	1,523
	1,531	1,556	1,531	1,556
Less: interest capitalised on housing properties under construction	-	(36)	-	(36)
	1,531	1,520	1,531	1,520

The weighted average interest on borrowings of 4.47% (2019: 4.28%) was used for calculating capitalised finance costs.

7. Surplus on ordinary activities

	2020	2019 Restated
	£'000	£'000
The operating surplus is stated after charging/(crediting):		
Auditors remuneration (excluding VAT):		
Audit of the group financial statements*	23	23
Audit of subsidiaries	2	1
Fees payable to the company's auditor and its associates for other services to the group:		
Taxation services	2	2
Service charge certification	4	4
Loan covenant certification	2	2
Operating lease rentals:		
- Land and buildings	233	233
- Office equipment	22	22
Depreciation of housing properties	1,112	1,094
Depreciation of other fixed assets	162	157

* £23,000 (2019 - £23,000) of this is included within the association. Included in other fees to the auditor is £8,000 (2019: £8,000) relating to the association.

Notes to the financial statements

8. Directors' remuneration

	2020	Restated 2019
	£'000	£'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	-	-
The aggregate emoluments paid to or receivable by executive Directors and former executive directors, including pension contribution	535	440
The aggregate compensation paid to or receivable by Directors (key management personnel), including national insurance and pension contribution	535	440
The emoluments paid to the highest paid Director excluding pension contributions	163	124
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	-
The aggregate amount of any consideration payable to Directors for loss of office	-	-

The Chief Executive who was in post during 2019-20 elected not to participate in the pension scheme which is a defined contribution scheme operated by the Pensions Trust; and therefore no contributions were paid by the Association (2019: nil) on her behalf.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

Comparative figures have been restated to include an interim Director (£124k) and reflect consistency in disclosure.

Notes to the financial statements

9. Employee information

	Group		Association	
		Restated		Restated
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:				
Office staff	24	25	24	25
	£'000	**£'000**	**£'000**	**£'000**
Staff costs				
Wages and salaries	1,438	1,166	1,438	1,166
Social Security costs	90	107	90	107
Other pension costs	39	47	39	47
	1,567	1,320	1,567	1,320
Aggregate number of full-time equivalent staff whose remuneration including pension contributions exceeded £60,000 in the period:	**No.**	**No.**	**No.**	**No.**
£60,000 - £70,000	1	1	1	1
£70,000 - £80,000	1	1	1	1
£80,000 - £90,000	-	1	-	1
£100,000 - £110,000	-	1	-	1
£110,000 - £120,000	1	1	1	1
£120,000 - £130,000	1	1	1	1
£160,000 - £170,000	1	-	1	-

Comparative figures have been restated to include interim staff (£206k) and reflect consistency in disclosure.

Notes to the financial statements

10. Pension obligations

The Association has closed access for both new and existing employees to the Social Housing Pension Scheme (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.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026. For accounting purposes, liability figures from the valuation are rolled forward to the relevant accounting date, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association 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.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	4,848	4,689
Present value of defined benefit obligation	5,392	6,196
(Deficit) in plan	(544)	(1,507)
Unrecognised surplus	-	-
Defined benefit (liability) to be recognised	(544)	(1,507)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	6,196	6,151
Current service cost	-	-
Expenses	5	6
Interest expense	141	149
Contributions by plan participants	-	-
Actuarial (gains)/losses due to scheme experience	(166)	95
Actuarial (gains)/losses due to changes in demographic assumptions	(52)	17
Actuarial (gains)/losses due to changes in financial assumptions	(663)	352
Benefits paid and expenses	(69)	(574)
Defined benefit obligation at end of period	5,392	6,196

Notes to the financial statements

10. Pension obligations (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	4,689	4,815
Interest income	109	116
Experience on plan assets (excluding amounts included in interest income) - (loss)/gain	(39)	226
Contributions by the employer	158	106
Contributions by plan participants	-	-
Benefits paid and expenses	(69)	(574)
Fair value of plan assets at end of period	4,848	4,689

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £70,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Current service cost	-	-
Expenses	5	6
Net interest expense	32	33
Defined benefit costs recognised in statement of comprehensive income (SOCI)	37	39

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (SOCI)

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/(gain)	(39)	226
Experience gains and losses arising on the plan liabilities – gain/(loss)	166	(95)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	52	(17)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	663	(352)
Total actuarial gains and losses recognised in other comprehensive income – gain/(loss)	842	(238)

Notes to the financial statements

10. Pension obligations (continued)

ASSETS

	31 March 2020	31 March 2019
	£'000	£'000
Global Equity	709	789
Absolute Return	253	406
Distressed Opportunities	93	85
Credit Relative Value	133	86
Alternative Risk Premia	339	270
Fund of Hedge Funds	3	21
Emerging Markets Debt	147	162
Risk Sharing	164	142
Insurance-Linked Securities	149	134
Property	107	106
Infrastructure	361	246
Private Debt	98	63
Opportunistic Illiquid Credit	117	-
Corporate Bond Fund	276	219
Liquid Credit	2	-
Long Lease Property	84	69
Secured Income	184	168
Over 15 Year Gilts	-	-
Liability Driven Investment	1,608	1,714
Net Current Assets	21	9
Total assets	4,848	4,689

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KEY ASSUMPTIONS

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.38%	2.29%
Inflation (RPI)	2.63%	3.30%
Inflation (CPI)	1.63%	2.30%
Salary Growth	2.63%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	31 March 2020	31 March 2019
	Life expectancy at age 65 Years	Life expectancy at age 65 Years
Male retiring in 2020 (2019)	21.5	21.8
Female retiring in 2020 (2019)	23.3	23.5
Male retiring in 2040 (2039)	22.9	23.2
Female retiring in 2040 (2039)	24.5	24.7

Notes to the financial statements

11. Taxation on profit on ordinary activities

UK corporation tax	Association		Group	
	2020	2019 Restated	**2020**	2019 Restated
	£'000	£'000	**£'000**	£'000
UK corporation tax on profit for the year	-	-	-	-
The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to the surplus before tax. The differences are explained below:				
(Deficit)/surplus on ordinary activities before tax	(2,104)	2,026	(2,104)	2,026
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2018:19%)	(400)	385	(400)	385
Effects of:				
Income not taxable for tax purposes	400	(385)	400	(385)
Adjustments to tax charge in respect of previous period	-	-	-	-
Adjustments to tax charge due to change in rates	-	-	-	-
Current tax charge for the period	-	-	-	-

Notes to the financial statements

12. Tangible fixed assets

	Housing properties				Other fixed assets	
	Social housing properties for letting - completed	Social housing properties for letting - under construction	Low cost home ownership properties completed	Total housing properties	Furniture and office equipment	Total fixed assets
Group and association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At start of year (as previously reported)	112.065	130	308	112,503	1,777	114,280
Adjustment to opening balance	113	-	(73)	40	(20)	20
At start of year (restated)	112,178	130	235	112,543	1,757	114,300
Additions	-	425	-	425	78	503
Interest capitalised	-	-	-	-	-	-
Transfers to completed schemes	-	-	-	-	-	-
Component additions	48	-	-	48	-	48
Component disposals	(33)	-	-	(33)	-	(33)
At end of year	112,193	555	235	112,983	1,835	114,818
Depreciation and impairment						
At start of year (as previously reported)	18,047	-	19	18,066	933	18,999
Adjustment to opening balance	(2,486)	-	9	(2,477)	-	(2,477)
At start of the year (restated)	15,561	-	28	15,589	933	16,522
Charge for the year	1,111	-	1	1,112	162	1,274
Eliminated on disposals	(33)	-	-	(33)	-	(33)
At end of year	16,639	-	29	16,668	1,095	17,763
Net book value at end of year	95,554	555	206	96,315	740	97,055
Net book value at start of year (restated)	96,595	130	207	96,932	824	97,778
Net book value at start of year (as previously reported)	94,018	130	289	94,437	844	95,281

Notes to the financial statements

12. Tangible fixed assets (continued)

Housing Properties comprise:	**2020**	2019
	£'000	£'000
Freeholds	58,769	59,335
Long leaseholds	34,610	34,767
Short leaseholds	3,676	3,676
	97,055	97,778

Cost of properties includes £nil (2019: £70k) for direct administrative costs capitalised during the year

	£'000	£'000
Works to existing properties in the year:		
Components capitalised	48	366
Amounts charged to expenditure	-	70
	48	436
The aggregate amount of interest and finance costs included in the cost of housing properties	842	842

Carrying value of tangible fixed assets pledged as security for liabilities is £52.746m (2019: £53.746m)

Interest is capitalised at the cost of funds to the association and added to schemes under construction. Interest capitalised in 2020 was £nil at an interest rate of 4.47% (2019: £36k capitalised at an interest rate of 4.28%).

Notes to the financial statements

13. Investment properties held for letting

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At start of year	64,016	65,157	64,016	65,157
Additions	48	602	48	602
Transfer from completed	-	2,397	-	2,397
Transfer between tenure	-	(6,588)	-	(6,588)
(Loss)/gain from adjustment in value	(3,891)	2,448	(3,891)	2,448
At end of year	60,173	64,016	60,173	64,016

The freehold and leasehold interests in the investment properties were independently valued as at 31 March 2020 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book". The Valuers reported that the aggregate of the market value of the investment properties amounted to £60,173,000.
The valuations were arrived at predominantly by reference to market evidence for comparable properties.
At 31 March 2020, the valuations are reported on the basis of "material valuation uncertainty"' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. This has arisen due to the unknown future impact that COVID-19 may have on the real estate market. As a result, the Association's investment property portfolio will be kept under regular review.

The deficit on revaluation of investment property of £3,891k (2019: £2,448k surplus) has been debited to the statement of comprehensive income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows: historic cost £25,690k (2019: £25,642k).

14. Fixed asset investments

At 31 March 2020 the Group has the following interests in Joint Ventures and Associates (Note 25):

	2020	2019
	£'000	£'000
At start of the year	-	-
Share of profit for the year	-	50
Distribution of profit	-	(50)
At end of the year	-	-
Represented by:		
Share of current assets	-	-
Share of liabilities – due within one year	-	-
Share of liabilities – due after more than one year	-	-
Share of net assets	-	-
Share of capital commitments	-	-

Notes to the financial statements

15. Trade and other debtors

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Rent arrears	400	722	400	722
Less: provision for bad debts	(166)	(131)	(166)	(131)
	234	591	234	591
Deposit held by THFC	907	927	907	927
Other debtors, prepayments and accrued income	604	601	604	601
	1,745	2,119	1,745	2,119

16. Cash and cash equivalents

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Money market investments	109	109	109	109
Cash at bank	3,231	3,058	3,231	3,058
	3,340	3,167	3,340	3,167

In the above are balances totalling £53,820 (2019: £53,793) which are held in trust for leaseholders and £657,865 in a sinking fund (2019: £657,220).

Notes to the financial statements

17. Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans and overdrafts (Note 18b)	930	895	930	895
Trade creditors	112	465	112	465
Amounts owed to group undertakings	-	-	29	29
Taxation	-	-	-	-
Rents and service charges paid in advance	499	383	499	383
Service charge balances held on behalf of leaseholders	59	54	59	54
Accruals and deferred income	1,289	578	1,289	578
Deferred Capital Grant (Note 19)	632	618	632	618
Recycled capital grant fund (Note 20)	1,433	83	1,433	83
Other creditors	584	1,111	584	1,111
	5,538	4,187	5,567	4,216

18(a). Creditors: amounts falling due after more than one year

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans (Note 18b)	32,342	33,273	32,342	33,273
Deferred Capital Grant (Note 19)	46,841	47,489	46,841	47,489
Recycled capital grant fund (Note 20)	269	1,694	269	1,694
Leaseholder sinking funds	647	646	647	646
	80,099	83,102	80,099	83,102

Notes to the financial statements

18(b). Debt analysis

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans repayable by instalments:				
Within one year	930	895	930	895
In one year or more but less than two years	987	930	987	930
In two years or more and less than five years	2,552	2,038	2,552	2,038
In five years or more	8,279	9,781	8,279	9,781
	12,748	13,644	12,748	13,644
Loans not repayable by instalments:				
Within one year	-	-	-	-
In one year or more but less than two years	1,500	-	1,500	-
In two years or more and less than five years	-	1,500	-	1,500
In five years or more	19,000	19,000	19,000	19,000
	20,500	20,500	20,500	20,500
Loan issue premium	24	24	24	24
Total loans	33,272	34,168	33,272	34,168

Loans are secured by specific charges on the Association's individual properties. The instalment loans are repayable monthly/quarterly at varying rates of interest.

The interest rate profile of Soho Housing at 31 March 2020 was:

	Total	Variable Rate	Fixed rate	Weighted Average rate	Weighted average term
	£'000	£'000	£'000	%	Years
At 31 March 2020					
Instalment loans	12,748	6,659	6,089	3.89	12.62
Non-instalments loans	20,500	4,000	16,500	4.83	21.90
	33,248	10,659	22,589	4.36	17.45
At 31 March 2019					
Instalment loans	13,644	7,187	6,457	3.52	12.86
Non-instalments loans	20,500	4,000	16,500	4.83	22.91
	34,144	11,187	22,957	4.18	18.16

Notes to the financial statements

19. Deferred capital grant

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At start of the year	48,105	47,076	48,105	47,076
Grant received in the year	-	650	-	650
Transferred to recycled grant	-	(56)	-	(56)
Allocated from recycled grant	-	1,074	-	1,074
Released to income in the year	(632)	(639)	(632)	(639)
At the end of the year	47,473	48,105	47,473	48,105
	£'000	**£'000**	**£'000**	**£'000**
Amount due to be released < 1 year	632	639	632	639
Amount due to be released > 1 year	46,841	47,466	46,841	47,466
	47,473	48,105	47,473	48,105

20. Recycled capital grant fund - GLA

	Group and Association	
	2020	2019
	£'000	£'000
At the start of the year	1,777	2,777
Grants recycled	-	56
Grant allocated to development	-	(1,074)
Interest accrued	9	18
Repayment of grant to GLA	(84)	-
At the end of the year	1,702	1,777
Amount three years or older where repayment may be required	-	-
Amount due in less than one year	1,433	83
Amount due in greater than one year	269	1,694

Notes to the financial statements

21. Non-equity share capital

	2020 £ and number of shares	2019 £ and number of shares
Group and Association		
Allotted Issued and Fully Paid		
At the start of the year	48	48
Issued during the year	-	-
Cancelled during the year	-	-
At the end of the year	48	48

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable. Each share has full voting rights. All shares are fully paid.

22. Capital commitments

Group and association	**2020 £'000**	2019 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,838	23
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	3,040
	2,838	3,063
The Association expects these commitments to be financed with:		
Social housing assistance (recycled capital grant)	128	-
Committed loan facilities	2,710	3,063
Existing cash resources	-	-
Capital commitments will be incurred over the next:		
In less than one year	-	343
In one year or more but less than two years	2,838	50
In two years or more and less than five years	-	2,670
In five years or more	-	-
	2,838	3,063

Notes to the financial statements

23. Operating leases

Soho Housing holds properties and office equipment under non-cancellable operating leases. At the end of the year Soho Housing had commitments of future minimum lease payments as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Land and buildings:				
Less than one year	123	123	123	123
One to five years	-	123	-	123
	123	246	123	246
Others:				
Less than one year	10	10	10	10
One to five years	21	21	21	21
	31	31	31	31

The lease agreements do not include any contingent rents or restrictions. Leases for land and buildings include reviews every 5 years throughout the lease.

Soho Housing has a number of commercial properties leased to lessors. The commitments of future minimum lease payments from those lessors to Soho Housing is as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Land and buildings:				
Less than one year	1,591	1,977	1,591	1,977
One to five years	5,005	4,831	5,005	4,831
More than 5 years	3,670	3,688	3,670	3,688
	10,266	10,496	10,266	10,496

Soho Housing, as a lessor, rents housing properties to a large number of residential tenants. Their tenancy agreements allow them to cease their tenancy by giving 4 weeks' notice.

Other than the two (2019 – two) shared ownership tenants, no tenants have the right to purchase their leased properties.

Notes to the financial statements

24. Contingent Liabilities

Group and Association	2020 £'000	2019 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	47,473	48,105
Recognised as income in the income and expenditure reserve	13,691	13,059
	61,164	61,164

There is contingent liability of £13,691k government grant that has been amortised and taken to the reserves at 31 March 2020 (2019: £13,059k). If there is a disposal of any property to which this grant is attached the amount will become repayable.

25. Subsidiaries

The Association has one wholly owned subsidiary and an interest in a joint venture, both registered in England:

Name	Incorporation and ownership	Regulated/ non-regulated	Nature of Business
Soho Ltd	Company – 100%	Non-regulated	Development
West Smithfield Development LLP	LLP – 50%	Non-regulated	Property Development

There were no transactions between the Association and Soho Limited during the year and there is an intercompany debt of £29k between Soho Limited and Soho HA at 31 March 2020 (2019: £29k).

West Smithfield Developments LLP (note 14) is a joint venture. As at 31 March 2020, the LLP owed £nil (2019 - £nil) to the Group. The LLP distributed £nil to Soho Limited (2019 - £50k).

26. Related parties

The board has two members who hold tenancy agreements with the Association on normal terms and cannot use their position to their advantage. Rent charged to the tenant board members was £9,285 (2019: £7,209). There are no arrears on the tenancy at the reporting period end (2019: £nil).

A board member of the Association and Soho Limited, Jeremy Titchen, is a Director of Alpha Real Estate Advisers Limited. During the year the Association paid Alpha Real Estate Limited £205k for the services of two interim directors, John Wallace and Sean Reid who were also directors of Alpha Real Estate Advisers Limited. The interest was declared and transactions were on an arms-length basis.

27. Net debt reconciliation

	1 April 2019 £'000	Cash flows £'000	Non-cash changes £'000	31 March 2020 £'000
Cash at bank and in hand	**3,167**	**173**	**-**	**3,340**
Bank loans	**(34,144)**	**956**	**(60)**	**(33,248)**
	(30,977)	**1,129**	**(60)**	**(29,908)**