**SOVINI LIMITED**

**Consolidated and Entity**

Report and Financial Statements

Year ended 31 March 2022

Co-operative and Community Benefit Society
(FCA) number: 31411R

# Sovini Limited

**Report and Financial Statements**
**for the year ended 31 March 2022**

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## Sovini Limited

### Executives and Advisors
### for the year ended 31 March 2022

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**Company number**

| | |
|---|---|
| Co-operative and Community Benefit Society (FCA) number | **31411R** |

**Executives**

***Board of management***

| | |
|---|---|
| Colin Marshall | Non-executive - Chair |
| Andy Armstrong | Non-executive |
| Jim Currie | Non-executive |
| Roy Williams | Executive |
| Tracey Liggett | Executive |

***Executive management***

| | |
|---|---|
| Roy Williams | Group Chief Executive Officer |
| Tracey Liggett | Chief Finance Officer |
| Ian Fazakerley | Chief Operating Officer |
| Gaynor Robinson | Operations Director - Finance |
| Marcus Evans | Group Director - Governance and Compliance |
| Kerry Beirne | Chief People and Communications Officer |

***Secretary and registered office***

Marcus Evans
Sovini Limited
The Sovini Group
Unit 1
Heysham Road
Liverpool
L30 6UR

**Auditor**

BDO LLP
5 Temple Square
Temple Street
Liverpool
L2 5RH

**Principal solicitors**

Weightmans
100 Old Hall Street
Liverpool
L3 9QJ

**Bankers**

Royal Bank Of Scotland
Merseyside Cheshire & North Wales, Corporate Banking
1 Dale Street
Liverpool
L2 2PP

## Chair's Statement
## for the year ended 31 March 2022

“I am pleased to announce that this year we achieved an operating surplus / profit of £22.3m (2021: £10.7m). We will reinvest these resources to improve and modernise our services, mitigate risk, create employment opportunities and increase the supply of new affordable housing.

The current year has presented a challenging operating environment, the like of which we have not experienced before. I am therefore pleased to be able to report a strong set of financial results based on sustained performance, further demonstrating the Sovini groups operational strength and financial resilience.

Our disciplined operating framework and the speed of management decision making and actions at the start of the pandemic and thereafter, has ensured that 2021/22 has been another operationally and financially successful year.

Throughout the recent challenges, the group has consistently demonstrated its resilience and flexibility. Reviewing and controlling its management costs to ensure that we remain in a strong position to balance our priorities including re-investment in our existing housing stock and creating a strong pipeline of new affordable housing. I have no doubt that this has been driven by our strong sense of purpose and the ability to harness the benefits of the Sovini group structure.

We continue to do all that we can to support our customers and employees, including their health and wellbeing, ensuring that we prioritise their safety above all else. Equally we remain committed to employee development, not just because it is the right thing to do, but because it is fundamental to our long-term success. We want to attract and retain the best people. Our aim is to sustain our award-winning reputation as a great place to work, founded on an open and honest culture. The Sovini group was named the UK’s No. One Great Place to Work (large category) in 2021 and No. Two in 2022, as well as retaining UK Best Workplace for Women consecutively since 2018.

There are many achievements to be proud of during the last 12 months. Our customer satisfaction performance, rent collection and occupancy rates remained strong and top quartile. We continued to deliver our fire safety programme priorities and we built and let 251 new homes, with 115 (46%) of these homes built collaboratively, using the skills and experience of our ‘in house’ Sovini Commercial partners.

We also worked hard to support our customers and particularly those who faced hardship or changes in employment due to the ending of Furlough. We also fully discharged our statutory compliance, emergency and responsive repair obligations whilst continuing to prepare for the Building Safety Bill and the Housing White Paper.

As we look ahead, there remain a number of challenges and risks which, continue to impact upon the wider housing and construction sectors, threatening both the UK and global economy. These include high inflation, political and economic uncertainty, the ongoing impacts of the cost-of-living crisis, as well as significant supply chain disruption. Our unique Sovini group operating model places us in a much stronger position than others, to manage and mitigate these threats.

We recognise the positive contribution that we can make to the environment, in the delivery of our operations and services and achieve this by reducing our emissions, carbon footprint and using renewable energy sources. This includes building low carbon homes, using enhanced technology and automation in the delivery of our repair and construction services and deploying modern, efficient and effective communication and service delivery methods to enhance our performance and reduce our costs.

I believe we are in a strong position to continue to invest in our communities and in doing so ‘create opportunities and change lives’. I look forward to the future with anticipation of even greater success.”

C. Marshall.

**Colin Marshall (chair of the board)**
**14 September 2022**

The board is pleased to present its Strategic Report and audited financial statements for the year ended 31 March 2022.

**Business overview**

Sovini group is a leading provider of social and affordable housing. It also provides repairs, maintenance, roofing, new build housing construction, waste management, scaffolding and asbestos management services and is the supplier of building materials to the wider housing and construction sectors.

The group manages 14,135 homes throughout the north west of England, with a high concentration in the Merseyside, Cheshire and Lancashire areas. We have a funded / committed affordable homes programme, including shared ownership and rent to buy options and currently have 411 units under construction.

The group was established in December 2011 as an innovative business model, to create financial capacity to support the investment and sustainability of our homes and communities. The group is constructed so as to ensure that public subsidy is protected and our commercial activities have no recourse to social housing assets, in the event of any potential partner encountering financial difficulties.

The group comprises of a mixture of co-operative and community benefit societies, charities and commercial companies that collectively work together for the sole purpose of 'creating opportunity and changing lives'. This is achieved through better value for money and a collective desire for social and environmental responsibility.

The group is committed to excellence in governance and financial viability, linked to our sense of purpose. As such, we have completed an 'in year' review of the 2020 NHF Code of Governance which, our Registered Provider Boards have agreed to adopt from 1 April 2022. Although, Sovini is not registered with the housing regulator, we are committed to following the spirit of the Regulatory Framework.

As the group has grown, we have continued to develop new partnerships with other local service providers and built upon our corporate social responsibilities, to ensure that we maximise our environmental, social and governance outcomes.

Having a significant presence within the North West area, we are committed to making a positive contribution to a number of local and regional strategies aimed specifically at environmental, economic regeneration and wider sustainability.

During 2021/22 we conducted a review of our Accommodation Strategy and harnessed agile working in some parts of our operations, whilst continuing to deliver our repairs, construction, housing and neighbourhood management services through our network of local access teams and via our accredited and award winning customer service centre.

**Objective and strategy**

Prior to 2020, there had been relative growth within the UK economy and in spite of this the continuing shortage of affordable housing remained evident. The pandemic focussed peoples mind-set in relation to their home, mental wellbeing and a connection with local, safe and green communities and open spaces. As such, the requirement on the Sovini group to generate additional financial and operational capacity has never been greater. In our 10th year, we continue to respond positively to these challenges, balancing the investment that we make into new and existing homes , alongside our net zero obligations and priorities. We continue to strive to outperform our budget and business plan targets and in doing so create additional financial capacity in a collaborative, progressive and mutually beneficial environment, which allow us to do more in all aspects of our business. This could be building additional new homes, creating employment and apprenticeship opportunities, assisting our customers to access vital support service and maximise their incomes where possible to sustain their tenancies, as well as expanding the housing choices that we offer.

Our strategic plan for 2022 to 2027 sets out how our ethos of "success through collaboration" will be achieved through pursuance of the following key objectives;

- Provide excellent services and levels of performance that meet all customer / client expectations (both internal and external to the group)
- Meet all legislative and regulatory and compliance requirements including an excellent track record for promoting health and safety for all who are impacted by our operations and areas of business activities
- Promote a collaborative, supportive and progressive working environment and culture, and
- Achieve efficiency, value for money and business innovation

**Strong, accountable governance and scrutiny arrangements**

We have reviewed our corporate governance framework and our board membership comprises of five board members who are derived from an independent and executive background.

We have reviewed our corporate governance framework and our board membership now comprises of five board members from an independent and executive background.

**Review of the year**

2022 has continued to be challenging as we have responded to changes in the economy, our operating environment and working practices. This is in an environment where many construction and other businesses have had to significantly downgrade their financial forecasts or indeed have ceased trading. During 2022, we achieved an operating surplus/profit of £22.3m (2021: £10.7m). This reflects that in the year we reduced our management costs by circa £3.4m as a result of agile workings and accommodation savings and we also completed a review of vacant employee posts to ensure all are necessary roles. This has been achieved after £0.8m of non-recurring impairments and after accelerating the delivery of our fire safety programme by £4.7m (2021: £5.6m) of which £3.7m (2021: £0.7m) was capitalised to the SOFP, with £1.0m (2021: £4.9m) expensed through the SOCI as major works. We also continued to incur liquidation costs associated with Carroll Telecoms, following the decision to withdraw from our telecommunications contracts. Turnover for the year was made up of rent and service charge income of £66.1m (2021: £63.5m), other social housing income of £2.8m (2021: £3.4m) and other/commercial income of £15.4m (2021: £12.5m). Operating costs and cost of sales for the year were £65.4m (2021: £68.9m).

Our social housing operating costs of £47.9m (2021: £54.2m) (note 4) reflect that during the period we invested £25.9m (2021: £27.5m) improving our homes and this enabled 100% (2021: 100%) of our homes to meet our property standard.

During the period we completed £12.6m (2021: £5.7m) of improvements to our housing properties which, were capitalised to the Statement of Financial Position. Group housing assets at 31 March 2022 had a net book value of £321m (2021: £290m). We spent £30.7m (2021: £43.8m) in the year in the delivery of our development programme.

We managed and mitigated our "in year" welfare reform risks, collecting 99.9% + of our rental income and significantly reducing lost rent from our empty properties, though a reduction in our relet timescales.

Our commercial companies continued to increase turnover and shareholder value, securing and retaining external contracts and realising our target profit forecasts.

**Our key achievements**

Our key achievements include the following;

- Maintained high levels of performance and customer satisfaction within our Registered Provider businesses, with many of our performance indicators continue to achieve top quartile performance;
- We built and let 251 new affordable homes and plan to build a further 1,000 + homes in the coming three years;
- Increased our commercial turnover;
- Embedded our scaffolding and asbestos management solutions through Teal Scaffolding and Amianto Services, maintaining licenced asbestos management status and winning a number of external contracts;
- Outperformed our budget and business plan target, realising additional efficiency savings. These savings were generated by increasing our income (higher rent collection and reduced relet timescales), reducing our core management and accommodation costs and securing additional affordable housing grant from Homes England;
- Commenced implementation of our business transformation strategy which will see the modernisation and automation of our major systems and support services; and
- All group-wide accreditations and externally verified quality marks (as relevant to each business area) were retained e.g. ISO9001, ISO45001, ISO27001 and ISO14001.

**How we performed**

| Financial performance in the year | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Turnover | 84,276 | 79,298 |
| Cost of sales | (13,944) | (12,520) |
| Operating costs | (51,481) | (56,404) |
| Surplus on disposal of fixed assets | 3,425 | 303 |
| **Operating surplus** | **22,276** | **10,677** |
| Net financing costs | (8,822) | (8,987) |
| Other | 1,085 | 552 |
| **Surplus for financial year before tax** | **14,539** | **2,242** |

| Statement of financial position | 2022 | 2021 |
|---|---|---|
| Property, plant and equipment | 321,108 | 289,654 |
| Other fixed assets | 22,949 | 23,411 |
| | 344,057 | 313,065 |
| **Net current assets/(liabilities)** | **6,273** | **(1,079)** |
| Creditors greater than one year | (281,537) | (257,490) |
| Pensions liability | (1,526) | (1,986) |
| Provisions | (278) | (267) |
| **Reserves** | **66,989** | **52,243** |

| Margins and performance | 2022 | 2021 |
|---|---|---|
| Operating costs (including cost of sales) as a % of turnover | 77.63% | 86.92% |
| Operating costs (including cost of sales) as a % of turnover - excluding exceptional items | 76.68% | 84.43% |
| Operating margin | 26.43% | 13.46% |
| Net margin | 17.25% | 2.83% |
| Debt per unit | £17,564 | £16,359 |

| Units in management | 2022 | 2021 |
|---|---|---|
| General needs housing | 12,080 | 12,023 |
| Supported housing | 1,054 | 1,069 |
| Low cost home ownership | 301 | 277 |
| Non social housing | 86 | 85 |
| Leaseholder properties | 614 | 611 |
| **Total** | **14,135** | **14,065** |

**Value for money**

Our Registered Providers (OVH and PCHA) have reviewed and assessed compliance against the requirements of the VFM Standard and confirmed compliance to each respective board.

The 2021/22 VFM statements have been prepared and included in each of the Associations audited Statutory Accounts. Copies of the statements are available on each providers website.

**Treasury management policies**

We reviewed and approved our treasury management policies in the year and received assurance that our treasury activities are being managed effectively within our strategic policy direction.

**Financial instruments**

***Loan structure***

At 31 March 2022, the group had loans totalling £235.02m and £104.0m of unutilised loan facilities. Fixed rate loans were £183.02m (77.9%) and variable loans of £52m (22.1%). This is within the thresholds of our treasury management policy.

| Funder | Type | Drawdown Date | Maturity Date | Amount £m | Interest Rate % |
|---|---|---|---|---|---|
| Barclays (RCF) | Variable | 22/03/2022 | 22/06/2022 | 15.00 | 1.76% |
| Barclays (RCF) | Variable | 23/03/2022 | 23/06/2022 | 3.00 | 1.78% |
| Barclays (RCF) | Variable | 11/01/2022 | 11/04/2022 | 4.00 | 1.50% |
| Barclays (RCF) | Variable | 07/02/2022 | 07/05/2022 | 3.00 | 1.59% |
| Barclays (RCF) | Variable | 10/03/2022 | 10/06/2022 | 3.00 | 1.65% |
| Barclays (RCF) | Variable | 10/03/2022 | 10/06/2022 | 8.00 | 1.65% |
| Barclays (RCF) | Variable | 15/02/2022 | 15/05/2022 | 2.00 | 1.61% |
| Barclays (RCF) | Variable | 30/03/2022 | 30/06/2022 | 4.00 | 1.81% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2042 | 13.00 | 4.85% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2044 | 13.00 | 4.85% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2046 | 14.00 | 4.85% |
| M&G Note Purchase - 2016 | Fixed | 01/04/2016 | 01/04/2048 | 15.00 | 4.19% |
| M&G Note Purchase - 2017 (Tranche 1) | Fixed | 06/04/2017 | 06/04/2036 | 10.00 | 3.30% |
| M&G Note Purchase - 2017 (Tranche 2) | Fixed | 06/04/2017 | 06/04/2036 | 10.00 | 3.40% |
| M&G Note Purchase - 2018 | Fixed | 21/12/2018 | 21/12/2043 | 30.00 | 3.70% |
| Orchardbrook | Fixed | 01/04/2000 | 31/03/2041 | 0.95 | 10.91% |
| Orchardbrook | Fixed | 15/12/2009 | 30/09/2047 | 0.18 | 9.92% |
| RBS - Facility A | Fixed | 18/07/2014 | 18/07/2024 | 22.50 | 4.88% |
| RBS - Facility B | Fixed | 18/07/2014 | 30/10/2041 | 30.00 | 7.45% |
| RBS - Facility B | Variable | 18/07/2017 | 30/10/2041 | 10.00 | 2.17% |
| RBS - Facility C | Fixed | 11/05/2021 | 13/05/2024 | 10.00 | 2.05% |
| RBS - Facility C | Fixed | 11/05/2021 | 13/05/2024 | 10.00 | 2.05% |
| RBS A | Fixed | 06/12/2006 | 06/12/2031 | 0.44 | 6.82% |
| RBS A | Fixed | 06/12/2006 | 06/12/2031 | 0.28 | 2.80% |
| RBS B | Fixed | 31/10/2019 | 06/12/2031 | 1.42 | 3.15% |
| THFC | Fixed | 05/10/2011 | 05/10/2043 | 3.00 | 5.20% |
| | | | | **235.77** | |
| Loan Fees* | | | | (0.75) | |
| | | | | **235.02** | |

** Capitalised financing costs on undrawn facilities*

**Financial instruments (continued)**

***Debt repayment profile***

The value and duration of our loans is summarised below. The weighted average cost of debt was 3.98% at 31 March 2022 and 55.5% of the debt relates to bank loan financing and 44.5% to bond financing.

| Repayment Profile | Orchardbrook £'000 | RBS £'000 | M & G £'000 | THFC £'000 | Barclays £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **< 1 yr** | 19 | 1,585 | - | - | - | 1,604 |
| **1-2 yrs** | 20 | 1,602 | - | - | - | 1,622 |
| **2-5 yrs** | 76 | 43,133 | - | - | 42,000 | 85,209 |
| **> 5 yrs** | 1,015 | 38,321 | 105,000 | 3,000 | - | 147,336 |
| | **1,129** | **84,641** | **105,000** | **3,000** | **42,000** | **235,770** |

***Credit risk***

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from the non receipt of rent and service charge payments, as well as credit sales. The group conducts risk assessments on customers to establish creditworthiness. Purchase limits are established for credit sales and rent and service charge arrears are monitored and pursued in accordance with policy and procedures. In certain circumstances, customers will be evicted and former tenant arrears recovered where possible.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The following financial institutions were used and the credit ratings were acceptable to the board.

| COMPANY | Rating at 31 March 2022 | Balance at 31 March 2022 £'000 | Rating at 31 March 2021 | Balance at 31 March 2021 £'000 |
|---|---|---|---|---|
| RBS | P-1 / A-1 / F1 | **316** | P-1 / A-1 / F1 | **688** |
| Santander | P-1 / A-1 / F1 | **1** | P-1 / A-1 / F1 | **1** |
| Nationwide | P-1 / A-1 / F1 | **10** | P-1 / A-1 / F1 | **10** |
| | | **327** | | **699** |

| GROUP | Rating at 31 March 2022 | Balance at 31 March 2022 £'000 | Rating at 31 March 2021 | Balance at 31 March 2021 £'000 |
|---|---|---|---|---|
| RBS | P-1 / A-1 / F1 | **6,909** | P-1 / A-1 / F1 | **8,041** |
| Lloyds | P-1 / A-1 / F1 | **113** | P-1 / A-1 / F1 | **113** |
| Barclays | P-1 / A-1 / F1 | **2,967** | P-1 / A-1 / F1 | **729** |
| Santander | P-1 / A-1 / F1 | **309** | P-1 / A-1 / F1 | **110** |
| Nationwide | P-1 / A-1 / F1 | **1,075** | P-1 / A-1 / F1 | **174** |
| THFC - interest reserve | P-1 / A-1 / F1 | **171** | P-1 / A-1 / F1 | **170** |
| Prudential | P-1 / A-1+ / F1+ | **-** | P-1 / A-1+ / F1+ | **-** |
| **Total** | | **11,544** | | **9,337** |

***Cash flow and liquidity risk***

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on it's debt instruments. It is the risk that the group will encounter difficulty in meeting it's financial obligations as they fall due.

***Cash flow and liquidity risk (continued)***

Rolling cash flow projections are prepared and cash balances are monitored regularly together with the value of the group's cash investments. At the end of the financial year, these projections indicated that the group expect to have sufficient liquid resources to meet it's obligations under all reasonably expected circumstances for the medium term. The group has also reduced it's liquidity risk by fixing interest rates on 77.9% of it's external borrowings.

***Loan covenant compliance***

The group's primary loan covenants are; interest cover, gearing and asset cover, with the latter based on the value of our social housing assets. Each covenant is monitored monthly and reported to the management team and the relevant board via a key performance indicator (KPI). All covenants were comfortably met during the reporting period and are forecast to continue to do so.

**Future prospects**

The group delivered a strong operational performance and improved results in 2021/22. We have completed the strategic actions set out in 2021/22 to modernise and transform the group, improve cash generation and strengthen our balance sheet. We continue to maintain financial and operational flexibility to continue to pursue our strategic objectives within our chosen markets and continue to enhance and capitalise on our position as a strategic partner to the Registered Providers within the Sovini group and to our external customers.

This remains a time of major challenge for the housing and construction sectors. The current economic and political challenges, coupled with the ongoing Ukraine war, continue to impact upon our operating environment. However, in spite of this remain strong and financially resilient. We have embarked upon five business transformation projects which, we expect to revolutionise what we do and how we do it, especially in the provision of our front facing customer and back office support services. This enhanced automation and virtual technology will assist us to further reduce our operating costs whilst, allowing us to improve our overall efficiency and effectiveness. Our priority remains to provide a safe working environment for all of our employees and to protect our customers and those who work alongside us within our supply chain, especially as we continue to navigate the remaining operational challenges. We remain committed to embedding and achieving the highest industry health and safety standards.

We continue to strive to attain world class performance and standards of service provision. In doing so, we assist our customers to act responsibly, thereby ensuring that rent payment is prioritised and that in return their homes are protected and safeguarded for the future. Our homes remain to be in high demand, with the time taken to relet our homes often resulting in zero days. We have also accelerated our fire safety programme to protect our customers post Grenfell, retro fitting sprinklers, replacing fire doors, removing and replacing defective cladding and decanting three of our high rise blocks which, are of large panel construction. We continue to review our accommodation and high rise strategies and have retained contingencies in our business plans to assist us to deal with any ongoing risks / challenges.

The combined effect of these measures and the wider impacts in the housing market have led to revise our commercial growth targets and profit forecasts which we forecast to return to pre pandemic levels in the next two years. The drive and resilience of the Sovini group remains resolute. We remain proud of our achievements to date and confident that our strong collaborative position and shared vision for business success will allow us to achieve our growth forecasts.

We believe that we are better placed than many in the housing sector to overcome the challenges that lie ahead. Our priority remains to be able to meet all of our commitments and contractual liabilities to current stakeholders. After this, our policy is to consolidate our current activities as we navigate the economic uncertainties that lie ahead and the competing priorities for our resources. In doing so we will continue to consider and review growth opportunities within our approved risk appetite. We continue to identify and achieve efficiency savings, deliver our property and development programmes and generate commercial profits in the delivery of our operations. We will use this new financial capacity to expand our services and achieve our growth aspirations, whilst preserving prudent margins to cope with the inevitable risks and uncertainties inherent in our business.

**Risk and uncertainty**

The board regularly reviews the risks faced by the group and monitors the greatest risks at each meeting. A risk management culture is embedded within operational processes and is linked to KPI's, key service improvement actions and internal controls.

It is the board's opinion that the following key risks are the most likely to affect our future performance and ability to achieve our corporate objectives.

***Reputation***

We take pride in our reputation. This has assisted us to exceed our targets and increase our productivity, realising improved shareholder value.

***Future rent setting policy***

We have reflected prudent rent increases in our business plans and understand the significant impact on our viability that changes in future government rent policy could have on our business. Being a member of the Sovini group affords some protection against this risk.

***Welfare reform and cost-of-living crisis***

We have reviewed our customer profile data and understand which of our customers are most likely to be affected by welfare reforms and the current cost of living crisis. Our business plans continue to contain prudent collection assumptions and a number of contingencies in the early years to help us to manage and mitigate these risks. Our focus remains on assisting our customers to cope and overcome these transitional impacts.

***Delivery of our development programme and maximising the grant available for starter and shared ownership homes***

We have confirmed our development programme and are mindful of the need to ensure that this is delivered within time and cost assumptions, in an environment of increasing material and labour costs and a global shortage of certain construction items e.g. timber, brick, plaster etc. We are also mindful that we must continue to contain our sales risk exposure within our risk appetite thresholds. We believe we are in a strong position, and are nearly completion of a funding review to ensure a continued development pipeline beyond 2024 /25. We also continue to work in partnership with our Sovini Commerical supply chain partners, to reach agreement on the short to medium term interventions we can put in place to ensure continuity within the programme and maximise the number of completed homes at each year end.

***Zero Carbon***

We have compiled our Zero Carbon and Environmental Strategy and are completing a base line assessment to understand our investment funding requirements and the extent of the work streams required to bring our homes to the required standard/compliance.

***Ethical business***

We adopt ethical business practices and operate in an open and transparent way. Everything that we do is aimed at promoting social good, whether through our environment practices or the support we provide to the local community. We are keen to establish working relationships and partnerships with like-minded businesses and comply with the ethos of the ISO 26000 and ISO 14001 Corporate Social Responsibility Framework.

***Future growth***

We continue to pursue our growth strategy and we recognise that as part of our service offer we have a key role and responsibility to create jobs, support wider economic growth and in doing so continue to deliver shareholder value.

**Accounting policies**

We have reviewed our accounting policies and these are contained in note 2 of the financial statements.

**Statement of compliance**

This Strategic Report has been prepared in accordance with the principles of the 2018 statement of recommended practice (SORP) for registered providers.

**Approval**

This Strategic Report was approved by the board of directors on 14 September 2022.

| | | |
|---|---|---|
| **Colin Marshall (chair of the board)** | **James Currie (director)** | **Marcus Evans (company secretary)** |
| **14 September 2022** | **14 September 2022** | **14 September 2022** |

The board is pleased to present its report and audited financial statements for the year ended 31 March 2022.

**Who are we?**

Sovini Limited group (Sovini group) is a non-registered, non-charitable, non-stock holding Co-operative and Community Benefit Society that was established on 29 September 2011 and commenced trading on 1 December 2011.

The Sovini group comprises of Co-operative and Community Benefit Societies and commercial companies that work together for the sole purpose of generating capacity to increase the supply and quality of housing and related services conducive to thriving, inclusive communities.

**Principal activities**

Sovini group is administered by a board of independent directors and operates in the north west of England, with a high concentration of its homes located within the Merseyside, Cheshire and Lancashire areas.

The Sovini group financial statements consolidate the financial performance of the following entities:

- Sovini Limited;
- One Vision Housing Limited;
- Pine Court Housing Association Limited;
- Sovini Developments Limited;
- Sovini Environmental Limited (dormant);
- Sovini Charities Limited;
- Pride of Sefton;
- Sovini Commercial Limited;
- Sovini Property Services Limited;
- Sovini Trade Supplies Limited;
- Sovini Homes Limited;
- Sovini Land Aquisition Limited;
- Sovini Construction Limited;
- Sovini Waste Solutions Limited;
- Amianto Services Limited; and
- Teal Scaffold Limited

**The Board and delegation**

The board comprises of five board members, three of which are non-executive and remunerated. Details of board remuneration can be found in note 9 of the financial statements.

The Sovini group chief executive and chief finance officer are directors of the company and also act as executive directors within the delegated authority given to them by the board.

Board membership is strong and drawn from a diverse range of skills, knowledge and experience. Some board members hold registered provider board member responsibilities, as well as remuneration committee roles. Board membership and responsibilities are summarised in note 9 to the financial statements.

The board is responsible for the strategic planning and policy framework. Implementation of this framework and day to day management is delegated to the executive management team, who regularly attend board meetings.

During the period, all board members were appraised and their training needs were identified. An ongoing board development programme is in place and specific training was provided to address any personal development needs.

**Results**

The surplus for the period, before taxation amounted to £14.5m (2021: £2.2m). This performance has been achieved after £0.8m (2021: £1.97m) of non-recurring impairments and after continuing our accelerated delivery of our fire safety programme by £4.7m (2021: £5.6m) of which £3.7m (2021: £0.7m) was capitalised to the SOFP, with £1.0m (2021: £4.9m) expensed through the SOCI as major works.

**Compliance with the 2015 NHF Governance Code and RSH Regulatory Standards**

The board formally adopted the 2015 NHF Code of Governance in April 2016.

Following this, our registered providers (One Vision Housing Limited and Pine Court Housing Association) have undertaken an annual self-assessment of compliance with the 2015 NHF Code of Governance. The 2022 assessment was submitted to board in July 2022 for approval. As a result, the board can confirm that we comply fully with the requirements of the 2015 NHF Code of Governance. We have completed an assessment of our performance against the 2020 Code and formally adopted this from 1 April 2022 onwards.

**Board members' responsibilities**

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

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The board members are 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 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. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the [group and] associations website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and associations website is the responsibility of the board members. The board members responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Statement on internal control**

The board acknowledges its ultimate responsibility for ensuring that an effective system of internal control is in place. The system of internal control is designed to manage key risks and provide reasonable assurance that planned business objectives are achieved.

It is the boards responsibility to establish and maintain systems of internal control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The boards approach to risk management includes regular evaluation of the nature and extent of the risks to which the group is exposed, and is consistent with best practice principles. Key elements include:

***Identification and evaluation of key risks***

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the groups activities. The board regularly considers and receives reports on the significant risks faced by the group.

**Statement on internal control (continued)**

***Control environment***

The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance including treasury strategy and new investments. Policies and procedures are in place and cover these issues, including delegated authority, segregation of duties, accounting policies, treasury management policy, health and safety policy, data and asset protection, fraud protection and detection, including whistleblowing. The Sovini group risk and audit committee oversee the review of the control environment and the fraud register on behalf of the registered providers.

The control environment is regularly reviewed by our internal auditor, Beever and Struthers, who report to the risk and audit committee. An annual review of the internal control environment is reported to the Sovini group board to provide assurance of its ongoing effectiveness.

***Information and financial reporting systems***

Financial and performance reporting procedures are in place including production of an annual budget. Where required from a governance and viability perspective, each board receives and approves their individual 30-year business plan and annual budget. Consolidated group management accounts for the Community Benefit Societies, commercial companies and charities are produced and reported quarterly to the Sovini board. Financial and organisational performance are reviewed in detail by the executive management team and improvement actions are implemented as necessary.

Treasury, liquidity and covenant compliance is monitored and reported to each board as relevant and to the Sovini board quarterly.

***Employee involvement***

The Sovini group employs 872 (2021: 780) staff who are committed and motivated in the achievement of our objectives. The board is appreciative of their efforts, particularly in improving the outcomes achieved by the group and its wider reputation amongst the housing and commercial sectors for innovation and improvement. The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The group maintains an intranet site that provides employees with information on human resource matters of concern to them as employees; including the financial and economic factors affecting performance. This includes functionality that enables employees to express views on matters that affect them and the group also undertakes an annual staff survey to canvas views on significant matters.

***Customer involvement***

Engaging and working with customers; remains a key priority. It is a fundamental element in achieving excellence and providing a valued customer experience. To do this we need to understand more about our current and future customers expectations of the services we deliver. We recognise the important role that our customers; play in scrutinising of our services. Actively shaping and challenging policy and assisting us to re-design our services and prioritise our scarce resources.

**Political and charitable donations**

During the year, we made no political donations (2021: £nil) and £29k of charitable donations (2021: £14k).

**Likely future developments in the business of the group**

As an ambitious group, Sovini has set stretching growth targets and aspires to be world class for the building, letting and repairing of our homes. This includes;

- Striving for the highest standards of performance, ensuring that we maximise our income collection and deliver excellent services to existing and new customers.
- Continue to be efficient, effective and economical by "doing the right things" and "doing these right".
- The self build of at least an increasing proportion of our affordable homes programme, which forecasts the delivery of 1000 + new
- Maximising our capacity and growing our reputation
- Utilising the capacity of our unique Sovini group structure which, comprises of locally based organisations, who are all focused on the housing sector, providing a market with a single point of contact for all housing needs.

Further information on likely future developments in the group have been included in the Strategic Report on pages 5 to 11.

**Qualifying third party indemnity provisions**

The group has third party indemnity provisions in place for the board and the executive management team of Sovini Limited.

**Going concern**

The board have reviewed the Sovini group and company financial plans and are satisfied that these plans are affordable and that the accounts should be prepared on a going concern basis.

The board have revised the groups and company financial forecasts to reflect the risks and financial impacts as relevant and proportionate to our business. These forecasts have been agreed with all subsidiary boards and our key customers. They reflect the Sovini group repair, maintenance, investment and new build development programmes, as well as the agreed priorities of our registered providers and also that of our external customers.

We continue to maintain viable 30 year business plans for our two registered provider partners (OVH and PCHA) and a quality order book for our Sovini Commercial partners which, is committed for several years. As such our cash flows remain strong and viable. As a consequence of this we continue to forecast strong operating surplus's and hold sufficient contingencies to enable us to mitigate and manage the outcome of the various stress test and perfect storm scenarios that we have completed on our current Business Plans. We have also increased our Sovini Commercial EBITDA forecasts from £3.7m to £6m at March 2023 to reflect the exit and recovery from the pandemic. Following which, we have prudently forecast that our longer term EBITDA to remain relatively static at circa £9m to £10m until 2026/27 and in a position to be able to commence gift aid allocations to OVH and PCHA in line with our agreed policy. As always, we will continue to strive to outperform these targets.

This will ensure that we can continue to provide customer and business-critical services and a strong pipeline of new affordable housing, as well as remaining compliant with all regulatory and funder requirements and Covenant tests.

As a key provider of affordable housing, we continue to self-deliver via the Sovini Commercial partners an increasing proportion of our development programme. In 2021/22, we achieved £28.1m of spend, 251 handovers of which 115 were built 'in house'. We also secured additional grant and sales receipts. During the year ahead we plan to spend circa £38.6m building 213 new homes and acquiring a land pipeline to facilitate this.

Due to the Ukraine war and the level of global economic risk and uncertainty remains directly outside of our control, we continue to monitor and assess the ongoing impact and deploy effective controls to minimise any impacts on our operations where at all possible. This includes the deployment of daily processes to manage/monitor our cash flow and continue to review our financial stability and long-term viability. This includes a current funding review which we are completing in conjunction with Savills (our independent Treasury Advisor).

Given the strength of our balance sheet, forecast surplus and availability and liquidity of undrawn loan facilities, the board believe that, whilst uncertainty exists, this does not pose a material uncertainty that would cast doubt on the group and companys ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

**Auditors**

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the group will be proposed at the forthcoming Annual General Meeting.

**Approval**

This Report of the Board was approved by the board of directors on 14 September 2022 and signed on its behalf by:

| Colin Marshall (chair of the board) | James Currie (director) | Marcus Evans (company secretary) |
|---|---|---|
| 14 September 2022 | 14 September 2022 | 14 September 2022 |

## Independent Auditor's Report to the Members of Sovini Limited
## for the year ended 31 March 2022

**Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2022 and of the Group's surplus and the Society'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 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements of Sovini Limited ("the Society") and its subsidiaries ("the Group") for the year ended 31 March 2022 which comprise the Consolidated and Society Statement of Comprehensive Income, the Consolidated and Society Statement of Financial Position, the Consolidated and Society Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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).

**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remain independent of the Group and Society 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.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

**Other information**

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report and Report of the Board 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 Society; or
- a satisfactory system of control has not been maintained over transactions; or
- the Society 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 statement of board members responsibilities set out on page 6, 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's and Society'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 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the registration of its subsidiaries with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing, the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries, revenue being recognised in the correct period around the year end and management bias in accounting estimates.

**Extent to which the audit was capable of detecting irregularities, including fraud (continued)**

The audit procedures to address the risks identified included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the valuation of investment properties, rent arrears provisioning, useful economic lives, net realisable value of properties developed for sale, the defined benefit pension liability and impairment of fixed assets;
- Identifying and testing journal entries, in particular any unusual account postings, any journal entries posted with specific key words and any journals posted by directors;
- Discussions with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Considered recognition of income throughout the year and around year end to gain assurance over cut-off;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 Group, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Group's board 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 Society for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
6C315CA33A8C4C6...

**BDO LLP**
**Statutory Auditor**
**Liverpool, UK**
**Date:** 15 September 2022

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

## Sovini Limited

### Consolidated and Company Statement of Comprehensive Income
### for the year ended 31 March 2022

| | Note | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|---|
| Turnover | 4 | 84,276 | 79,298 | 8,148 | 7,454 |
| Cost of sales | 4 | (13,944) | (12,520) | (10) | (43) |
| Operating costs | | | | | |
| Recurring | 4 | (50,681) | (54,435) | (8,123) | (7,420) |
| Non recurring | 14 | (800) | (1,969) | - | - |
| Total operating costs | | (51,481) | (56,404) | (8,123) | (7,420) |
| Surplus on disposal of fixed assets | 4, 10 | 3,425 | 303 | 10 | - |
| **Operating surplus/(deficit)** | 6 | 22,276 | 10,677 | 25 | (9) |
| Other interest receivable and similar income | | 5 | 14 | - | 1 |
| Interest and financing costs | 11 | (8,827) | (9,001) | - | - |
| Movement in fair value of investment properties | 16 | 1,085 | 552 | - | - |
| **Surplus/(deficit) before taxation** | | 14,539 | 2,242 | 25 | (8) |
| Taxation on surplus/(deficit) | 12 | (10) | (116) | (17) | (15) |
| **Surplus/(deficit) for the financial year** | | 14,529 | 2,126 | 8 | (23) |
| Actuarial gains/(losses) on defined benefit pension scheme | 25 | 217 | (1,317) | - | - |
| **Total comprehensive income/(loss) for year** | | 14,746 | 809 | 8 | (23) |

*The notes on pages 24 to 54 form part of these financial statements.*

## Sovini Limited

### Consolidated and Company Statement of Financial Position
### as at 31 March 2022

**Company number: 31411R**

| | Note | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets - housing properties | 13 | 321,108 | 289,654 | - | - |
| Tangible fixed assets - other | 14 | 12,969 | 13,683 | 161 | 116 |
| Investment properties | 16 | 9,725 | 8,638 | - | - |
| Intangible assets | 15 | 255 | 1,090 | - | - |
| | | 344,057 | 313,065 | 161 | 116 |
| **Current assets** | | | | | |
| Stocks | 18 | 5,027 | 3,937 | - | - |
| Debtors - receivable within one year | 19 | 11,555 | 11,552 | 1,561 | 1,056 |
| Cash at bank and in hand | | 11,558 | 9,342 | 332 | 701 |
| | | 28,140 | 24,831 | 1,893 | 1,757 |
| **Creditors: amounts falling due within one year** | 20 | (21,867) | (25,910) | (1,961) | (1,806) |
| **Net current assets/(liabilities)** | | 6,273 | (1,079) | (68) | (49) |
| **Total assets less current liabilities** | | 350,330 | 311,986 | 93 | 67 |
| Creditors: amounts falling due after more than one year | 21 | (281,537) | (257,490) | - | - |
| Pension liability | 25 | (1,526) | (1,986) | - | - |
| Provision of deferred taxation | 27 | (278) | (267) | (29) | (11) |
| **Net assets** | | 66,989 | 52,243 | 64 | 56 |
| **Capital and reserves** | | | | | |
| Non-equity share capital | 28 | - | - | - | - |
| Revaluation reserve | | 2,577 | 1,492 | - | - |
| Income and expenditure reserve | | 64,412 | 50,751 | 64 | 56 |
| | | 66,989 | 52,243 | 64 | 56 |

*The notes on pages 24 to 54 form part of these financial statements.*

The financial statements were approved by the board of directors and authorised for issue on 14 September 2022.

| | | |
|---|---|---|
| **Colin Marshall (chair of the board)** | **James Currie (director)** | **Marcus Evans (company secretary)** |
| **14 September 2022** | **14 September 2022** | **14 September 2022** |

## Sovini Limited

### Consolidated Statement of Changes in Equity
### for the year ended 31 March 2022

| | Called up share capital £'000 | Revaluation reserve £'000 | Income and expenditure reserve £'000 | Total equity £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2021** | - | 1,492 | 50,751 | 52,243 |
| Surplus for the year | - | 1,085 | 13,444 | 14,529 |
| Actuarial gains on SHPS defined benefit pension scheme (note 26) | - | - | 217 | 217 |
| **Other comprehensive income for the year** | - | - | 217 | 217 |
| **Balance at 31 March 2022** | - | 2,577 | 64,412 | 66,989 |

### Consolidated Statement of Changes in Equity
### for the year ended 31 March 2021

| | Called up share capital £'000 | Revaluation reserve £'000 | Income and expenditure reserve £'000 | Total equity £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2020** | - | 940 | 50,494 | 51,434 |
| Surplus for the year | - | 552 | 1,574 | 2,126 |
| Actuarial losses on SHPS defined benefit pension scheme (note 26) | - | - | (1,317) | (1,317) |
| **Other comprehensive loss for the year** | - | - | (1,317) | (1,317) |
| **Balance at 31 March 2021** | - | 1,492 | 50,751 | 52,243 |

*The notes on pages 24 to 54 form part of these financial statements.*

## Sovini Limited

### Company Statement of Changes in Equity
### for the year ended 31 March 2022

| | Called up share capital £'000 | Income and expenditure reserve £'000 | Total equity £'000 |
|---|---|---|---|
| **Balance at 1 April 2021** | - | 56 | 56 |
| Surplus for the year | - | 8 | 8 |
| **Balance at 31 March 2022** | - | 64 | 64 |

### Company Statement of Changes in Equity
### for the year ended 31 March 2021

| | Called up share capital £'000 | Income and expenditure reserve £'000 | Total equity £'000 |
|---|---|---|---|
| **Balance at 1 April 2020** | - | 79 | 79 |
| Deficit for the year | - | (23) | (23) |
| **Balance at 31 March 2021** | - | 56 | 56 |

*The notes on pages 24 to 54 form part of these financial statements.*

## Sovini Limited

### Consolidated Statement of Cash Flows
### for the year ended 31 March 2022

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Surplus for the financial year | 14,529 | 2,126 |
| Adjustments for | | |
| Depreciation of fixed assets - housing properties | 8,662 | 7,635 |
| Accelerated depreciation of fixed assets - housing properties | 2,242 | 797 |
| Depreciation of fixed assets - other | 829 | 882 |
| Depreciation of fixed assets held under finance leases | 475 | 151 |
| Goodwill amortisation | 218 | 823 |
| Amortised capital grant | (652) | (456) |
| Impairment charged to profit or loss | 584 | - |
| Fair value (loss)/gains recognised in profit or loss - investment properties | (1,085) | 1,417 |
| Interest payable and finance costs | 8,827 | 9,001 |
| Interest received | (5) | (14) |
| Taxation expense | 10 | 116 |
| Surplus on the disposal of fixed assets | (3,425) | (303) |
| Difference between net pension expense and cash contribution (defined benefit) | (283) | (282) |
| Movement in trade and other debtors | (1,873) | 634 |
| Movement in stocks | (1,090) | 155 |
| Movement in trade and other creditors | (1,862) | 1,553 |
| Movement in contract provision | - | (718) |
| Cash from operations | 26,101 | 23,517 |
| Taxation paid | 221 | (64) |
| **Net cash generated from operating activities** | 26,322 | 23,453 |
| Cash flows from investing activities | | |
| Purchase of fixed assets – housing properties | (41,275) | (45,033) |
| Purchases of fixed assets - other | (613) | (2,511) |
| Purchases of investment properties | (2) | - |
| Purchases of intangible assets | (368) | (513) |
| Net proceeds on disposal of fixed assets | 5,870 | 3,634 |
| Receipt of grant | 6,292 | 5,844 |
| Interest received | 5 | 14 |
| **Net cash used in investing activities** | (30,091) | (38,565) |
| Cash flows from financing activities | | |
| Interest paid | (10,311) | (10,665) |
| Capital element of lease repaid | (1,210) | (540) |
| Interest element of lease repaid | (85) | (64) |
| New loans - bank | 42,000 | 40,200 |
| Repayment of loans - bank | (24,409) | (38,571) |
| **Net cash generated by/(used in) financing activities** | 5,985 | (9,640) |
| **Net increase/(decrease) in cash and cash equivalents** | 2,216 | (24,752) |
| Cash and cash equivalents at beginning of year | 9,342 | 34,094 |
| **Cash and cash equivalents at end of year** | 11,558 | 9,342 |

*The notes on pages 24 to 54 form part of these financial statements.*

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**1 Legal status**

Sovini Limited is a public benefit entity registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014.

**2 Accounting policies**

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which, for Sovini Limited includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations) and FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”. The company is not a registered with the Regulator of Social Housing. However, the group includes two registered providers of social housing. The consolidated financial statements of the group are voluntarily prepared in accordance with the accounting provisions of the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group accounting policies. In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

***Going concern***

The board have reviewed the Sovini group and company financial plans and are satisfied that these plans are affordable and that the accounts should be prepared on a going concern basis.

The board have revised the groups and company financial forecasts to reflect the risks and financial impacts as relevant and proportionate to our business. These forecasts have been agreed with all subsidiary boards and our key customers. They reflect the Sovini group repair, maintenance, investment and new build development programmes, as well as the agreed priorities of our registered providers and also that of our external customers.

We continue to maintain viable 30 year business plans for our two registered provider partners (OVH and PCHA) and a quality order book for our Sovini Commercial partners which, is committed for several years. As such our cash flows remain strong and viable. As a consequence of this we continue to forecast strong operating surplus's and hold sufficient contingencies to enable us to mitigate and manage the outcome of the various stress test and perfect storm scenarios that we have completed on our current Business Plans. We have also increased our Sovini Commercial EBITDA forecasts from £3.7m to £6m at March 2023 to reflect the exit and recovery from the pandemic. Following which, we have prudently forecast that our longer term EBITDA to remain relatively static at circa £9m to £10m until 2026/27 and in a position to be able to commence gift aid allocations to OVH and PCHA in line with our agreed policy. As always, we will continue to strive to outperform these targets.

This will ensure that we can continue to provide customer and business-critical services and a strong pipeline of new affordable housing, as well as remaining compliant with all regulatory and funder requirements and Covenant tests.

As a key provider of affordable housing, we continue to self-deliver via the Sovini Commercial partners an increasing proportion of our development programme. In 2021/22, we achieved £28.1m of spend, 251 handovers of which 115 were built 'in house'. We also secured additional grant and sales receipts. During the year ahead we plan to spend circa £38.6m building 213 new homes and acquiring a land pipeline to facilitate this.

Due to the Ukraine war and the level of global economic risk and uncertainty remains directly outside of our control, we continue to monitor and assess the ongoing impact and deploy effective controls to minimise any impacts on our operations where at all possible. This includes the deployment of daily processes to manage/monitor our cash flow and continue to review our financial stability and long-term viability. This includes a current funding review which we are completing in conjunction with Savills (our independent Treasury Advisor).

Given the strength of our balance sheet, forecast surplus and availability and liquidity of undrawn loan facilities, the board believe that, whilst uncertainty exists, this does not pose a material uncertainty that would cast doubt on the group and companys ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

## 2 Accounting policies (continued)

***Basis of consolidation***

The consolidated financial statements present the results of Sovini Limited and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

***Income***

Income will be recognised and measured in the financial statements at the fair value, i.e., the point at which it is received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting);
- First tranche sales of Low Cost Home Ownership housing properties developed for sale;
- Stair casing sales of Low-Cost Home Ownership housing properties;
- Service charges receivable;
- Revenue grants and proceeds from the sale of land and property;
- Trade material and skip hire sales;
- Provision of property repair, maintenance, construction, scaffold and asbestos related services; and
- Any other income generated in the period.

Rental income for properties under development or sale is recognised from the point of practical completion and letting. Income from first tranche sales is recognised at the point of legal completion of the sale.

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer, and it is probable that the company will receive the previously agreed upon payment. These criteria are considered met when the goods are delivered to the buyer.

***Supported housing schemes***

The group receives Supporting People grants from Wirral Borough Council. The grants received in the period as well as costs incurred by the group in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over the grant received is borne by the group where it is not recoverable from tenants.

***Service charges***

The group adopts fixed and variable methods for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded based on the estimated amounts chargeable.

***Non-recurring admin costs***

Non-recurring admin costs relate to items which are not deemed regular expenses or related to the principal operations of the group and are expected to be isolated to the year in which they occur.

***Recycled Capital Grant Fund***

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the group to recycle capital grants or to make repayments of the recoverable amount. The group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the statement of financial position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

## 2 Accounting policies (continued)

***Current and deferred taxation***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the group entities operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates and branches and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

***Value added tax***

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

OVH has an approved VAT Shelter Scheme with HMRC. As a result, eligible VAT incurred on the investment programme is recovered. The balance of VAT recoverable at the year-end will be included as a current asset in the Statement of Financial Position.

***Finance costs***

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest is capitalised on borrowings to finance developments up to the date of practical completion if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant in advance; or
b) interest on borrowings of the group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income statement in the year.

**2 Accounting policies (continued)**

***Pension costs***

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

- SHPS

  The group participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). For financial years ending on or after 31 March 2019, the way in which the defined benefit pension obligation in SHPS is stated in the financial statements has changed. Previously there has been insufficient information available to account for these obligations on a defined benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, the obligation has been accounted for by stating the present value of agreed future deficit repayment contributions. For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations on a defined benefit basis.

  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.

***Tangible fixed assets - housing properties***

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable administration costs include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within PPE and accounted for at cost less depreciation. Commercial elements of mixed developments or homes held for sale are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

**2 Accounting policies (continued)**

***Depreciation of housing property***

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties are split between structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

| Description | Economic Useful Life (years) |
|---|---|
| Structure | 60 |
| Kitchen | 20 |
| Bathroom | 30 |
| Roofs | 60 |
| Boiler installations | 20 |
| Central heating | 20 |
| External windows | 30 |
| Communal | 15 to 30 |
| External cladding | 50 |
| Lifts | 25 |
| Sprinkler systems | 25 |
| Fire Doors | 25 |

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

***Shared ownership properties and staircasing***

Under low cost home ownership arrangements, the group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such stair-casing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Low cost home ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost. For shared ownership accommodation that the group is responsible for, it is the group’s policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

***Allocation of costs for mixed tenure and shared ownership developments***

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

## 2 Accounting policies (continued)

***Tangible fixed assets – other***

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

***Depreciation of other tangible fixed assets***

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| Description | Economic Useful Life (years) |
|---|---|
| Freehold buildings – other | 50 |
| Leasehold land and buildings | Lease term |
| Plant, machinery and vehicles | 4 to 15 |
| Fixtures, fittings, tools and equipment | 4 |
| Computers | 3 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted respectively as appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

***Intangible fixed assets***

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, there is an intention and ability to complete and use the software, the costs can be measured reliably and it is capable of generating future economical benefits. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

***Amortisation of intangible fixed assets***

Amortisation is charged so as to write off the cost of computer software assets less their residual value over their estimated useful lives, using the straight-line method. Adjustments will be made for any impairment.

| Description | Economic Useful Life (years) |
|---|---|
| Computer software | 10 |

***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 external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

***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.

## 2 Accounting policies (continued)

***Government grants***

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Grants of a revenue nature are recognised in “other operating income” within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme (‘Furlough’). The entity has not directly benefited from any other forms of government assistance.

***Valuation of investments***

Investments in subsidiaries are measured at cost less accumulated impairment.

***Impairment of fixed assets and goodwill***

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 amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

***Stock***

- **Shared ownership and outright sale properties**

  Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs. Shared ownership property stock represents the estimated cost to be sold as a first tranche sale.

- **Trade Materials**

  Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

## 2 Accounting policies (continued)

***Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

***Recoverable amount of rental and other trade receivables***

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

***Rent and service charge agreements***

The group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

***Loans, Investments and short term deposits***

All loans, investments and short term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Statement of Financial Position at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

***Financial liabilities and equity***

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

***Cash and cash equivalents***

Cash and cash equivalents in the group’s Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

***Leased assets: lessee***

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

***Leasehold sinking funds***

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

**2 Accounting policies (continued)**

***Contingent liabilities***

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

***Reserves***

The revaluation reserve is created from surpluses on asset revaluation.

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

In preparing the financial statements, key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost. The board have also considered impairment based on their assumptions to define cash or asset generating units.

- The anticipated costs to complete on a development scheme based on anticipated construction cost, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the board's best estimate of sales value based on economic conditions within the area of development.

- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

- Whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

***Other key sources of estimation uncertainty***

- Tangible fixed assets

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

  For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

  Though these estimates are subject to fluctuations in the life of asset, sensitivity testing shown overleaf indicates no material impact on the charge that would be recognised in the Statement of Comprehensive Income.

## 3 Judgements in applying accounting policies and key sources of estimation uncertainty

***Other key sources of estimation uncertainty (continued)***

| Statement of Comprehensive Income Charge Adjustment | Current useful expected life (years) | Sensitivity: 10% increase in UEL £'000 | Sensitivity: 10% reduction in UEL £'000 |
|---|---|---|---|
| **Bathroom** | 30 | 65 | (65) |
| **Boilers / Heating** | 20 | 169 | (169) |
| **Kitchen** | 20 | 208 | (208) |
| **Lift** | 25 | 12 | (12) |
| **Roofs** | 60 | 45 | (45) |
| **Structure** | 60 | 130 | (130) |
| **Walling** | 50 | 16 | (16) |
| **Windows / External doors** | 30 | 77 | (77) |
| **Sprinkler systems** | 25 | 37 | (37) |
| **Fire doors** | 25 | 12 | (12) |
| | | 771 | (771) |
| | | *Credit* | *Charge* |

- Investment property

Investment properties are professionally valued annually using a Market Value valuation basis. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations will be fully disclosed in note 17 to the accounts.

Sensitivity testing is detailed below indicating the potential impact that fluctuations in valuation would have on the charge that would be recognised in the Statement of Comprehensive Income;

| Statement of Comprehensive Income Charge Adjustment | Current valuation £'000 | Sensitivity: 10% increase in valuation £'000 | Sensitivity: 10% reduction in valuation £'000 |
|---|---|---|---|
| **Investment properties** | 9,725 | 973 | (973) |
| | | 973 | (973) |
| | | *Credit* | *Charge* |

- Rental and other trade receivables (debtors)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Government grant

Government grants are amortised over the useful economic life (UEL) of the asset apart from grant on shared ownership properties which is not amortised, as it is recycled on staircasing. Where this to be amortised over the UEL of the asset this would result in increased income in the comprehensive income statement.

- Capitalised overheads on developments

Overheads are capitalised up to maximum of 3% of works and acquisitions costs, and 100% of development salaries and related overheads.

- Judgements used in preparation of pension fund accounts

Pension figures in these accounts are prepared by independent actuaries. In preparing the figures the actuaries use a number of judgements based on information provided to them by the Institute and Faculty of Actuaries.

## 4 Particulars of turnover, cost of sales, operating costs and operating surplus

| GROUP | Turnover | Cost of sales | Operating costs | Surplus on disposal of fixed assets | Operating surplus |
|---|---|---|---|---|---|
| | 2022 | 2022 | 2022 | 2022 | 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | 66,092 | - | (47,865) | - | 18,227 |
| **Other Social Housing Activities** | | | | | |
| First tranche low cost home ownership sales | 2,770 | (2,053) | - | - | 717 |
| Staircasing activity on low cost home ownership | - | - | - | 56 | 56 |
| Right to buy sales | - | - | - | 600 | 600 |
| Right to acquire sales | - | - | - | 1,461 | 1,461 |
| | 68,862 | (2,053) | (47,865) | 2,117 | 21,061 |
| **Activities other than social housing activities** | | | | | |
| Commercial properties rent | 80 | - | (26) | - | 54 |
| Non social housing units rent | 641 | - | (392) | - | 249 |
| Market sales | - | - | - | - | - |
| Property development, improvement and repair | 5,840 | (4,743) | (1,624) | - | (527) |
| Trade materials sales | 8,770 | (7,138) | (1,527) | - | 105 |
| Other | 83 | (10) | (47) | 1,308 | 1,334 |
| | 15,414 | (11,891) | (3,616) | 1,308 | 1,215 |
| | 84,276 | (13,944) | (51,481) | 3,425 | 22,276 |

| GROUP | Turnover | Cost of sales | Operating costs | Surplus/deficit on disposal of fixed assets | Operating surplus/ (deficit) |
|---|---|---|---|---|---|
| | 2021 | 2021 | 2021 | 2021 | 2021 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | 63,462 | - | (54,156) | - | 9,306 |
| **Other Social Housing Activities** | | | | | |
| First tranche low cost home ownership sales | 3,362 | (2,692) | - | - | 670 |
| Staircasing activity on low cost home ownership | - | - | - | 35 | 35 |
| Right to buy sales | - | - | - | 383 | 383 |
| Right to acquire sales | - | - | - | 491 | 491 |
| | 66,824 | (2,692) | (54,156) | 909 | 10,885 |
| **Activities other than social housing activities** | | | | | |
| Commercial properties rent | 149 | - | (24) | - | 125 |
| Non social housing units rent | 657 | - | (195) | - | 462 |
| Market sales | - | - | - | - | - |
| Property development, improvement and repair | 6,590 | (5,792) | (1,206) | - | (408) |
| Trade materials sales | 4,497 | (3,685) | (769) | - | 43 |
| Other | 581 | (351) | (54) | (606) | (430) |
| | 12,474 | (9,828) | (2,248) | (606) | (208) |
| | 79,298 | (12,520) | (56,404) | 303 | 10,677 |

**4 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)**

| COMPANY | Turnover | Cost of sales | Operating costs | Operating surplus |
|---|---|---|---|---|
| | 2022 | 2022 | 2022 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| **Activities other than social housing activities** | | | | |
| Management services | 8,148 | (10) | (8,123) | 15 |
| | 8,148 | (10) | (8,123) | 15 |

| COMPANY | Turnover | Cost of sales | Operating costs | Operating surplus/ (deficit) |
|---|---|---|---|---|
| | 2021 | 2021 | 2021 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| **Activities other than social housing activities** | | | | |
| Management services | 7,409 | (43) | (7,405) | (39) |
| Other activities | 45 | - | (15) | 30 |
| | 7,454 | (43) | (7,420) | (9) |

**5 Units of housing stock**

| GROUP | 2022 Number | 2021 Number |
|---|---|---|
| General needs housing | | |
| social | 11,069 | 11,218 |
| affordable | 818 | 619 |
| Low cost home ownership | 301 | 277 |
| Supported housing | 1,054 | 1,069 |
| Intermediate | | |
| buy back properties | 12 | 13 |
| rent to buy | 181 | 173 |
| **Total social housing units** | 13,435 | 13,369 |
| Market rent | 86 | 85 |
| Leaseholder properties | 614 | 611 |
| **Total owned and managed accommodation** | 14,135 | 14,065 |
| Units under construction | 411 | 376 |

### 6 Operating surplus/(deficit)

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| This is arrived at after charging/(crediting): | | | | |
| Reorganisation costs following a group staffing restructure | 1 | 26 | - | - |
| Depreciation of housing properties | | | | |
| annual charge | 8,662 | 7,635 | - | - |
| accelerated depreciation on replaced components | 1,073 | 797 | - | - |
| Depreciation of tangible fixed assets | 829 | 882 | 56 | 32 |
| Depreciation of finance lease assets | 475 | 151 | - | - |
| Amortisation of intangible assets | 218 | 823 | - | - |
| Amortisation of capital grant | (652) | (456) | - | - |
| Operating lease rentals (other) | 1,031 | 719 | - | - |
| Auditors' remuneration (excluding VAT) | | | | |
| fees payable to the auditor for the audit of the group's annual accounts | 134 | 118 | 12 | 12 |
| fees for tax computations | 29 | 22 | 2 | 2 |
| other services | 25 | 63 | 1 | 2 |

Non-recurring administrative expenses of £800k (2021: £1,969k) were incurred in year. These related to a £584k (2021: £1,969k) impairment of the head office building and abortive refinancing costs of £216k (2021: £nil).

In the financial year the group did not utilise the government job retention scheme claiming £nil (2021: £1,186k) which is included within other operating income in the Statement of Comprehensive Income.

### 7 Employees

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Staff costs (including executive management team) consist of: | | | | |
| Wages and salaries | 26,387 | 24,269 | 5,426 | 5,010 |
| Social security costs | 2,487 | 2,209 | 553 | 474 |
| Cost of defined contribution scheme | 1,163 | 1,102 | 289 | 270 |
| | 30,037 | 27,580 | 6,268 | 5,754 |

The average number of employees (including executive management team) expressed as full time equivalents (calculated based on a standard working week of 36 hours) during the year was as follows:

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| Corporate services | 195 | 185 | 141 | 140 |
| Customers and neighbourhoods | 144 | 142 | - | - |
| Assets and regeneration | 39 | 38 | - | - |
| Operatives | 494 | 415 | - | - |
| | 872 | 780 | 141 | 140 |

Sovini group employees have access to a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable to the fund and amounted to £1,163k (2021: £1,102k). As at 31 March 2022 there are £181k of unpaid contributions (2021: £188k).

## 8 Directors remuneration

The directors are defined as the members of the board of management, the group chief executive and the executive management team as disclosed in note 9.

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Directors' emoluments | 1,880 | 1,767 | 349 | 204 |
| Amounts receivable under long-term incentive schemes | 278 | 237 | 54 | 23 |
| Company contributions to money purchase pension schemes | 132 | 110 | 18 | 14 |
| **Total** | 2,290 | 2,114 | 421 | 241 |

## 9 Board members

| **GROUP** | **Remuneration** | **Sovini Limited Board** | | **Risk and Audit Committee** | | **One Vision Housing Limited board** | | **Pine Court Housing Association board** | |
|---|---|---|---|---|---|---|---|---|---|
| | **£'000** | **Current member** | **Date** | **Current member** | **Date** | **Current member** | **Date** | **Current member** | **Date** |
| **Continuing** | | | | | | | | | |
| Colin Marshall | 16 | Chair | | | | | | | |
| Roy Williams | - | ✔ | | | | ✔ | | ✔ | |
| Tracey Liggett | - | ✔ | | | | ✔ | | | |
| Tracey Gore | 4 | | | | | ✔ | | | |
| Gill Ditchburn | 3 | | | ✔ | | | | ✔ | |
| Peter Crosby | 9 | | | ✕ | Feb 2022 | Chair | | | |
| Andy Armstrong | 4 | ✔ | | | | ✔ | | | |
| Dawn Murray | 2 | | | | | ✔ | | | |
| Moira Woo | 2 | | | | | | | ✔ | |
| Jim Currie | 3 | ✔ | | | | | | ✔ | |
| Julia Emelogu | 2 | | | ✔ | | | | ✔ | |
| **Resignations** | | | | | | | | | |
| Steve Gow | 5 | | | ✕ | Feb 2022 | | | Chair | |
| Colin Gibson | 1 | | | | | | | ✕ | Sept 2021 |
| Alan Marshall | 4 | | | | | ✕ | Sept 2021 | | |
| Joe Connell | 3 | | | | | ✕ | Sept 2021 | | |
| Anne Lundon | 5 | | | | | ✕ | Mar 2022 | | |
| **Appointments** | | | | | | | | | |
| Lelir Yeung | 2 | | | ✔ | | ✔ | Nov 2021 | | |
| Michael Parkin | 1 | | | Chair | Nov 2021 | ✔ | Nov 2021 | ✔ | Nov 2021 |

**9 Board members (continued)**

| COMPANY | Remuneration | Sovini Limited Board | | Risk and Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|
| | £'000 | Current member | Date | Current member | Date | Current member | Date |
| **Continuing** | | | | | | | |
| Colin Marshall | 17 | Chair | | | | | |
| Roy Williams | | ✔ | | | | | |
| Tracey Liggett | | ✔ | | | | | |
| Gill Ditchburn | | | | ✔ | | | |
| Peter Crosby | | | | ✔ | | ✔ | |
| Michael Parkin | 5 | | | ✔ | Chair | | |
| Andy Armstrong | 1 | ✔ | | | | ✔ | |
| Jim Currie | 1 | ✔ | | | | | |
| **Resignations** | | | | | | | |
| Steve Gow | | | | ✕ | Feb 2022 | | |
| Joe Connell | | | | ✕ | Sept 2021 | | |
| **Appointments** | | | | | | | |
| None in year | | | | | | | |

**10 Surplus on disposal of fixed assets**

| | Staircasing activity 2022 £'000 | Right to buy 2022 £'000 | Right to acquire 2022 £'000 | Other fixed assets 2022 £'000 | Total 2022 £'000 | Total 2021 £'000 |
|---|---|---|---|---|---|---|
| Disposal proceeds | 298 | 2,027 | 1,571 | 3,898 | 7,794 | 4,466 |
| Cost of disposals | (242) | (583) | (110) | (2,590) | (3,525) | (3,419) |
| Loss due to RTB sharing agreement | - | (844) | - | - | (844) | (744) |
| Surplus on disposal of fixed assets | 56 | 600 | 1,461 | 1,308 | 3,425 | 303 |

### 11 Interest payable and similar charges

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Bank loans and overdrafts | 10,150 | 10,128 | - | - |
| Capitalisation of interest | (1,498) | (1,171) | - | - |
| Refinancing cost | 93 | 541 | - | - |
| Capitalisation of refinancing cost | (43) | (576) | - | - |
| Interest on finance leases | 85 | 64 | - | - |
| Net interest on net defined benefit liability (SHPS - note 25) | 40 | 15 | - | - |
| | 8,827 | 9,001 | - | - |

### 12 Taxation on surplus on ordinary activities

The charities and registered provider partners of the group have charitable status for tax purposes and are therefore exempt from corporation tax in respect of income under Section 505 ICTA 1988. The group may be liable for tax on surpluses generated from its trading activities.

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| UK corporation tax | | | | |
| Current tax on surplus for the year | 21 | 50 | - | - |
| **Total current tax** | 21 | 50 | - | - |
| Deferred tax | | | | |
| Origination and reversal of timing differences | (11) | 148 | 14 | 15 |
| Adjustment in respect of prior year | - | (82) | - | - |
| Effect of tax rate change on opening balance | - | | 3 | |
| | (11) | 66 | 17 | 15 |
| **Taxation on surplus/ (deficit) on ordinary activities** | 10 | 116 | 17 | 15 |

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Surplus/ (deficit) on ordinary activities before tax | 14,539 | 2,242 | 25 | (8) |
| **Surplus/ (deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021 - 19%)** | 2,762 | 426 | 5 | (2) |
| Effects of | | | | |
| Adjustment in respect of previous periods | (69) | (69) | - | - |
| Group relief | - | 11 | 6 | 17 |
| Amounts related to other comprehensive income | (1) | (1) | - | - |
| Expenses not deductible for tax purposes | (2,651) | (120) | - | - |
| Fixed asset timing differences | 70 | 41 | - | - |
| Deferred tax rate changes | 60 | 54 | 6 | - |
| Income not subject to tax | (167) | - | - | - |
| Chargeable losses | (20) | - | - | - |
| Deferred tax not recognised | 26 | - | - | - |
| **Total tax charge for year** | 10 | 342 | 17 | 15 |

## 13 Tangible fixed assets – housing properties

| GROUP | Shared ownership completed £'000 | Supported housing completed £'000 | General needs completed £'000 | Shared ownership works under construction £'000 | General needs works under construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| **At 1 April 2021** | 24,399 | 10,608 | 281,385 | 4,643 | 30,256 | 351,291 |
| Additions | | | | | | |
| Construction costs | - | - | - | 3,868 | 26,820 | 30,688 |
| Replaced components | - | 742 | 11,896 | - | - | 12,638 |
| Completed schemes | 1,584 | - | 29,690 | (1,584) | (29,690) | - |
| Disposals | | | | | | |
| stair-casing sales | (242) | - | - | - | - | (242) |
| right to buy/acquire sales | - | - | (726) | - | - | (726) |
| commercial disposals | - | - | (2,549) | - | - | (2,549) |
| replaced components | - | (180) | (1,580) | - | - | (1,760) |
| Reclassification of housing tenure | - | 1,277 | (1,277) | - | - | - |
| **At 31 March 2022** | 25,741 | 12,447 | 316,839 | 6,927 | 27,386 | 389,340 |
| **Depreciation** | | | | | | |
| **At 1 April 2021** | - | (4,202) | (57,435) | - | - | (61,637) |
| Charge for the year | - | (476) | (8,186) | - | - | (8,662) |
| Eliminated on disposals: | | | | | | |
| commercial disposals | - | - | 994 | - | - | 994 |
| replaced components | - | 72 | 1,001 | - | - | 1,073 |
| Reclassification of housing tenure | - | (111) | 111 | - | - | - |
| **At 31 March 2022** | - | (4,717) | (63,515) | - | - | (68,232) |
| **Net book value at 31 March 2022** | 25,741 | 7,730 | 253,324 | 6,927 | 27,386 | 321,108 |
| **Net book value at 31 March 2021** | 24,399 | 6,406 | 223,950 | 4,643 | 30,256 | 289,654 |

The reclassification of housing tenure of £1,277k (2021: £3,520k) relates to tenancy based changes in housing tenure between general needs and supported housing.

**Company**
The company has no housing properties.

## 14 Other tangible fixed assets

| GROUP | Freehold land and buildings £'000 | Long leasehold land and buildings £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| **At 1 April 2021** | 1,100 | 11,102 | 8,414 | 20,616 |
| Additions | - | - | 1,666 | 1,666 |
| Disposals | - | (146) | (1,728) | (1,874) |
| **At 31 March 2022** | 1,100 | 10,956 | 8,352 | 20,408 |
| **Depreciation and Impairment** | | | | |
| **At 1 April 2021** | 100 | 3,794 | 3,039 | 6,933 |
| Charge for year | - | 266 | 1,038 | 1,304 |
| Disposals | - | (139) | (1,243) | (1,382) |
| Impairment | 117 | 467 | - | 584 |
| **At 31 March 2022** | 217 | 4,388 | 2,834 | 7,439 |
| **Net book value** | | | | |
| **At 31 March 2022** | 883 | 6,568 | 5,518 | 12,969 |
| **At 31 March 2021** | 1,000 | 7,308 | 5,375 | 13,683 |

The net book value of plant, machinery and vehicles for the company includes an amount of £2,982k (2021: £2,802k) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the company has the right to purchase the assets outright at the end of the minimum lease term by paying an option to buy fee.

Impairment of other tangible fixed assets of £584k (2021: £1,969k) has been treated as a non-recurring administrative expense during the year.

**14 Other tangible fixed assets (continued)**

| COMPANY | Fixtures and Fittings £'000 | Computer Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| **At 1 April 2021** | 44 | 109 | 153 |
| Additions | - | 101 | 101 |
| **At 31 March 2022** | 44 | 210 | 254 |
| **Depreciation** | | | |
| **At 1 April 2021** | 7 | 30 | 37 |
| Charge for year | 2 | 54 | 56 |
| **At 31 March 2022** | 9 | 84 | 93 |
| **Net book value** | | | |
| **At 31 March 2022** | 35 | 126 | 161 |
| **At 31 March 2021** | 37 | 79 | 116 |

**15 Intangible assets**

| GROUP | Goodwill on acquisition £'000 | Software £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| **At 1 April 2021** | 4,117 | 918 | 5,035 |
| Additions | - | 368 | 368 |
| Disposals | - | (985) | (985) |
| **At 31 March 2022** | 4,117 | 301 | 4,418 |
| **Amortisation** | | | |
| **At 1 April 2021** | 3,945 | - | 3,945 |
| Charge for year | 172 | 46 | 218 |
| **At 31 March 2022** | 4,117 | 46 | 4,163 |
| **Net book value** | | | |
| **At 31 March 2022** | - | 255 | 255 |
| **At 31 March 2021** | 172 | 918 | 1,090 |

Software includes £209k (2021: £918k) which relates to the ongoing development of a housing management IT system.

**Company**
The company has no intangible assets.

## 16 Investment properties

| | Group Market rent £'000 |
|---|---|
| **At 1 April 2021** | 8,638 |
| Additions | 2 |
| Revaluations | 1,085 |
| **At 31 March 2022** | 9,725 |

"Jones Lang LaSalle Limited", is a general practice firm providing surveying and valuation services across the country. The valuer is "external" and the valuation is as at 31 March 2022 and has been carried out by Jones Lang LaSalle Limited in accordance with the current RICS Red Book.

The Aggregate of the Individual Market Values of the 86 market rented units for accounts purposes is £9,725k as per the JLL valuation. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

The gain on revaluation of investment property arising of £1,085k (2021: £666k loss) and the other movements of £nil (2021: £114k) have been credited 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:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Historic cost | 7,540 | 7,538 |
| Accumulated depreciation | (1,349) | (1,198) |
| **Total** | 6,191 | 6,340 |

**Company**
The company has no investment properties.

**17 Fixed asset investments**

***Details of Subsidiary undertakings, associated undertakings and other investments***

| | | | | |
|---|---|---|---|---|
| One Vision Housing Limited | England | 100.00% | Provision of homes and housing services to customers in Liverpool City Region. | CBS* |
| Pine Court Housing Association | England | 100.00% | Provision of homes and housing services to customers mainly from the Chinese, south east asian and wider BME community in Liverpool City Region. | CBS* |
| Sovini Charities Limited | England | 100.00% | Intermediate charitable holding company. | CBS* |
| Pride of Sefton | England | 100.00% | Charitable narrow boat excursions | Charity |
| Sovini Developments Limited | England | 100.00% | Provision of design and build services. | Incorporated company |
| Sovini Environmental Limited | England | 100.00% | Dormant | Incorporated company |
| Sovini Commercial Limited | England | 100.00% | Commercial holding company. | Incorporated company |
| Sovini Property Services Limited | England | 100.00% | Provision of repair, maintenance, improvement, refurbishment and construction services. | Incorporated company |
| Sovini Trade Supplies Limited | England | 100.00% | Provision of trade materials to the group and external customers. | Incorporated company |
| Sovini Homes Limited | England | 100.00% | Provision of commercial house building for private outright sale. | Incorporated company |
| Sovini Land Acquistion Limited | England | 100.00% | Acquisition and sale of development land and development package deals. | Incorporated company |
| Sovini Construction Limited | England | 100.00% | House-builder and construction services. | Incorporated company |
| Sovini Waste Solutions Limited | England | 100.00% | Provision of waste management and environmental services. | Incorporated company |
| Amianto Services Limited | England | 100.00% | Provision of asbestos removal services to the Sovini group and external customers. | Incorporated company |
| Teal Scaffold Limited | England | 100.00% | Scaffold erection services | Incorporated company |

**Co-operative and Community Benefits Society*

**18 Stocks**

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Completed first tranche shared ownership properties | 1,755 | 1,265 | - | - |
| Property assets in the course of construction | 259 | 364 | - | - |
| Finished goods and goods for resale | 3,013 | 2,308 | - | - |
| | 5,027 | 3,937 | - | - |

Properties under construction include capitalised interest of £nil (2021: £nil).

**19 Debtors**

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Due within one year | | | | |
| Rent and service charge arrears | 4,792 | 5,102 | - | - |
| Less: Provision for doubtful debts | (3,218) | (3,188) | - | - |
| | 1,574 | 1,914 | - | - |
| Trade receivables | 2,983 | 1,958 | - | - |
| Amounts owed by group undertakings | - | - | 943 | 506 |
| Tenant rechargeable works | 14 | 19 | - | - |
| Other debtors | 1,782 | 1,398 | 2 | 20 |
| Prepayments and accrued income | 4,382 | 3,447 | 616 | 530 |
| Grant receivable | - | 1,650 | - | - |
| Other taxation and social security payable | 540 | 667 | - | - |
| Corporation tax | 280 | 499 | - | - |
| | 11,555 | 11,552 | 1,561 | 1,056 |

All amounts owed by group undertakings are interest free and repayable on demand.

**20 Creditors: amounts falling due within one year**

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Loans and borrowings (note 24) | 1,418 | 4,403 | - | - |
| Trade creditors | 2,248 | 1,689 | 116 | 85 |
| Amounts owed to group undertakings | - | - | 824 | 804 |
| Rent and service charges received in advance | 3,436 | 3,246 | - | - |
| Taxation and social security | 1,271 | 2,156 | 292 | 484 |
| Other creditors | 1,173 | 977 | 26 | - |
| Recycled capital grant fund (note 23) | 54 | 18 | - | - |
| Deferred capital grant (note 22) | 686 | 543 | - | - |
| Accruals and deferred income | 10,665 | 12,102 | 703 | 433 |
| Obligations under finance lease and hire purchase contracts (note 25) | 916 | 776 | - | - |
| | 21,867 | 25,910 | 1,961 | 1,806 |

All amounts owed to group undertakings are interest free and repayable on demand.

## 21 Creditors: amounts falling due after more than one year

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Loans and borrowings (note 24) | 233,601 | 213,068 | - | - |
| Deferred capital grant (note 22) | 46,390 | 42,579 | - | - |
| Obligations under finance lease and hire purchase contracts (note 24) | 1,546 | 1,843 | - | - |
| | 281,537 | 257,490 | - | - |

## 22 Deferred capital grant

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| **At beginning of year** | 43,122 | 36,439 | - | - |
| Grant additions in year | 4,606 | 7,139 | - | - |
| Released to income during the year | (652) | (456) | - | - |
| **At end of year** | 47,076 | 43,122 | - | - |
| Grants due for release less than one year (note 20) | 686 | 543 | - | - |
| Grants due for release more than one year (note 21) | 46,390 | 42,579 | - | - |
| | 47,076 | 43,122 | - | - |

## 23 Recycled capital grant fund

| **GROUP** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **At 1 April** | 18 | - |
| Recycling of grant | | |
| Recycled in year | 36 | 18 |
| **At 31 March** | 54 | 18 |
| **Amounts 3 years or older where repayment may be required** | 54 | 18 |

In line with Chapter 16, Section 5.6.3 of the Capital Funding Guide, as a floor of 0% is applicable to notional interest calculations, then no interest has been charged in either year.

## 24 Loans and borrowings

***Group Loan Structure***

| Funder | Type | Drawdown Date | Maturity Date | Amount £m | Interest Rate % |
|---|---|---|---|---|---|
| Barclays (RCF) | Variable | 22/03/2022 | 22/06/2022 | 15.00 | 1.76% |
| Barclays (RCF) | Variable | 23/03/2022 | 23/06/2022 | 3.00 | 1.78% |
| Barclays (RCF) | Variable | 11/01/2022 | 11/04/2022 | 4.00 | 1.50% |
| Barclays (RCF) | Variable | 07/02/2022 | 07/05/2022 | 3.00 | 1.59% |
| Barclays (RCF) | Variable | 10/03/2022 | 10/06/2022 | 3.00 | 1.65% |
| Barclays (RCF) | Variable | 10/03/2022 | 10/06/2022 | 8.00 | 1.65% |
| Barclays (RCF) | Variable | 15/02/2022 | 15/05/2022 | 2.00 | 1.61% |
| Barclays (RCF) | Variable | 30/03/2022 | 30/06/2022 | 4.00 | 1.81% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2042 | 13.00 | 4.85% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2044 | 13.00 | 4.85% |
| M&G Note Purchase - 2014 | Fixed | 17/07/2014 | 17/07/2046 | 14.00 | 4.85% |
| M&G Note Purchase - 2016 | Fixed | 01/04/2016 | 01/04/2048 | 15.00 | 4.19% |
| M&G Note Purchase - 2017 (Tranche 1) | Fixed | 06/04/2017 | 06/04/2036 | 10.00 | 3.30% |
| M&G Note Purchase - 2017 (Tranche 2) | Fixed | 06/04/2017 | 06/04/2036 | 10.00 | 3.40% |
| M&G Note Purchase - 2018 | Fixed | 21/12/2018 | 21/12/2043 | 30.00 | 3.70% |
| Orchardbrook | Fixed | 01/04/2000 | 31/03/2041 | 0.95 | 10.91% |
| Orchardbrook | Fixed | 15/12/2009 | 30/09/2047 | 0.18 | 9.92% |
| RBS - Facility A | Fixed | 18/07/2014 | 18/07/2024 | 22.50 | 4.88% |
| RBS - Facility B | Fixed | 18/07/2014 | 30/10/2041 | 30.00 | 7.45% |
| RBS - Facility B | Variable | 18/07/2017 | 30/10/2041 | 10.00 | 2.17% |
| RBS - Facility C | Fixed | 11/05/2021 | 13/05/2024 | 10.00 | 2.05% |
| RBS - Facility C | Fixed | 11/05/2021 | 13/05/2024 | 10.00 | 2.05% |
| RBS A | Fixed | 06/12/2006 | 06/12/2031 | 0.44 | 6.82% |
| RBS A | Fixed | 06/12/2006 | 06/12/2031 | 0.28 | 2.80% |
| RBS B | Fixed | 31/10/2019 | 06/12/2031 | 1.42 | 3.15% |
| THFC | Fixed | 05/10/2011 | 05/10/2043 | 3.00 | 5.20% |
| Loan Fees* | | | | -0.75 | |
| **Capitalised refinancing costs on undrawn facilities* | | | | | |
| | | | | **235.02** | |

Maturity of debt:

| | Bank loans | Finance leases | Total |
|---|---|---|---|
| | **2022** | **2022** | **2022** |
| | **£'000** | **£'000** | **£'000** |
| In one year or less, or on demand | 1,418 | 916 | 2,334 |
| In more than one year but not more than two years | 1,436 | 940 | 2,376 |
| In more than two years but not more than five years | 85,036 | 606 | 85,642 |
| In more than five years | 147,129 | - | 147,129 |
| | 235,019 | 2,462 | 237,481 |

| | Bank loans | Finance leases | Total |
|---|---|---|---|
| | **2021** | **2021** | **2021** |
| | **£'000** | **£'000** | **£'000** |
| In one year or less, or on demand | 4,403 | 776 | 5,179 |
| In more than one year but not more than two years | 1,516 | 802 | 2,318 |
| In more than two years but not more than five years | 41,932 | 1,041 | 42,973 |
| In more than five years | 169,620 | - | 169,620 |
| | 217,471 | 2,619 | 220,090 |

**24 Loans and borrowings (continued)**

| | Loan balance outstanding | Split | Weighted Average Cost of Capital | Average Interest Rate |
|---|---|---|---|---|
| | 2022 | 2022 | 2022 | 2022 |
| | £'m | % | % | % |
| Fixed | 183.02 | 77.87% | | 4.60% |
| Variable | 52.00 | 22.13% | | 1.79% |
| | 235.02 | 100.0% | 3.98% | |

| | Loan balance outstanding | Split | Weighted Average Cost of Capital | Average Interest Rate |
|---|---|---|---|---|
| | 2021 | 2021 | 2021 | 2021 |
| | £'m | % | % | % |
| Fixed | 168.50 | 77.12% | | 4.98% |
| Variable | 50.00 | 22.88% | | 1.48% |
| | 218.50 | 100.0% | 4.18% | |

Loans are secured by specific charges on the housing properties of the association. The loans bear interest at fixed and variable rates ranging from 1.50% to 10.91%.

At 31 March 2022, the Group had undrawn loan facilities of £104m (2021: £126m).

**25 Pensions - SHPS**

| ***Present values of defined benefit obligation, fair value of assets and defined benefit liability*** | **Year ended 31 March 2022** | **Year ended 31 March 2021** |
|---|---|---|
| **GROUP** | **£'000** | **£'000** |
| Fair value of planned assets | 9,362 | 9,622 |
| Present value of defined benefit obligation | (10,888) | (11,608) |
| **Net defined benefit liability to be recognised** | **(1,526)** | **(1,986)** |

| ***Reconciliation of opening and closing balances of the defined benefit obligation*** | **Year ended 31 March 2022** | **Year ended 31 March 2021** |
|---|---|---|
| | **£'000** | **£'000** |
| Defined benefit obligation at start of period | 11,608 | 9,435 |
| Current service costs | - | 25 |
| Expenses | 8 | 8 |
| Interest expenses | 247 | 222 |
| Contributions by plan participants | - | 13 |
| Actuarial losses/(gains) due to scheme experience | 248 | (82) |
| Actuarial (gains)/losses due to changes in demographic assumptions | (176) | 43 |
| Actuarial (gains)/losses due to changes in financial assumptions | (772) | 2,190 |
| Benefits paid and expenses | (275) | (246) |
| Defined benefit obligation at end of period | 10,888 | 11,608 |

| ***Reconciliation of opening and closing balances of the fair value of plan assets*** | **Year ended 31 March 2022** | **Year ended 31 March 2021** |
|---|---|---|
| | **£'000** | **£'000** |
| Fair value of plan assets at start of period | 9,622 | 8,503 |
| Interest income | 207 | 203 |
| Experience on plan assets (excluding amounts included in interest income) - (loss)/gain | (483) | 834 |
| Contributions by employer | 291 | 315 |
| Contributions by plan participants | - | 13 |
| Benefits paid and expenses | (275) | (246) |
| Fair value of plan assets at end of period | 9,362 | 9,622 |

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £238k (2021: £1,037k).

| ***Defined benefit costs recognised in statement of comprehensive income (SOCI)*** | **Year ended 31 March 2022** | **Year ended 31 March 2021** |
|---|---|---|
| Current service costs | - | 25 |
| Expenses | 8 | 8 |
| Net interest expense | 40 | 19 |
| Defined benefit costs recognised in statement of comprehensive income (SOCI) | 48 | 52 |

**25 Pensions - SHPS (continued)**

| ***Defined benefit costs recognised in other comprehensive income*** | **Year ended 31 March 2022 £'000** | **Year ended 31 March 2021 £'000** |
|---|---|---|
| Experience on plan assets (excluding amounts included in interest income) - (loss)/gain | (483) | 834 |
| Experience gains and losses arising on the plan liabilities - (loss)/gain | (248) | 82 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss) | 176 | (43) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss) | 772 | (2,190) |
| Total amount recognised in other comprehensive income - gain/(loss) | 217 | (1,317) |

| ***Assets*** | **Year ended 31 March 2022 £'000** | **Year ended 31 March 2021 £'000** |
|---|---|---|
| Global equity | 1,797 | 1,534 |
| Absolute return | 376 | 531 |
| Distressed opportunities | 335 | 278 |
| Credit relative value | 312 | 303 |
| Alternative risk premium | 309 | 363 |
| Fund of hedge funds | - | 1 |
| Emerging market debt | 272 | 389 |
| Risk sharing | 308 | 351 |
| insurance - linked securities | 218 | 231 |
| Property | 253 | 200 |
| Infrastructure | 667 | 641 |
| Private debt | 240 | 229 |
| Opportunistic illiquid credit | 314 | 245 |
| High Yield | 81 | 288 |
| Opportunistic credit | 33 | 264 |
| Cash | 32 | - |
| Corporate bond funding | 624 | 568 |
| Liquid credit | - | 115 |
| Long lease property | 241 | 189 |
| Secure income | 349 | 400 |
| Liability driven investment | 2,612 | 2,444 |
| Currency Hedging | (37) | - |
| Net current assets | 26 | 58 |
| Total assets | 9,362 | 9,622 |

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*** | **Year ended 31 March 2022** % per annum | **Year ended 31 March 2021** % per annum |
|---|---|---|
| Discount rate | 2.79% | 2.38% |
| Inflation (RPI) | 3.61% | 2.63% |
| Inflation (CPI) | 3.21% | 1.63% |
| Salary growth | 4.21% | 2.63% |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | |

### 25 Pensions - SHPS (continued)

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

| | Life Expectancy at age 65 (Years) |
|---|---|
| Male retiring in 2021 | 21.1 |
| Female retiring in 2021 | 23.7 |
| Male retiring in 2041 | 22.4 |
| Female retiring in 2041 | 25.2 |

### 26 Onerous contract

| GROUP | Group 2022 | Group 2021 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| **At 1 April 2021** | - | 718 | - | - |
| Additional provision | - | 255 | - | - |
| Release of provision | - | (973) | - | - |
| **At 31 March 2022** | - | - | - | - |

The provision for the onerous contract represented management's best estimate of the present value of the future loss anticipated by the fulfilment of two contracts held by Carroll Telecoms Limited. These contracts related to the provision of telecoms services, for which Carroll Telecoms Limited was obligated to complete, these contracts were completed within the prior financial year.

### 27 Deferred taxation

**Deferred tax liabilities**

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|---|---|---|---|
| **At 1 April 2021** | (267) | (206) | (11) | - |
| Debited to profit or loss | (11) | (61) | (18) | (11) |
| **At 31 March 2022** | (278) | (267) | (29) | (11) |

**Deferred tax assets**

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|---|---|---|---|
| **At 1 April 2021** | - | - | - | 4 |
| Debited to profit or loss | - | - | - | (4) |
| **At 31 March 2022** | - | - | - | - |

The group and company has no unused tax losses or credits.

## 28 Non-equity share capital

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| 5 ordinary shares of £1.00 each | 5 | 5 | 5 | 5 |

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

## 29 Commitments under operating leases

The group had minimum lease payments under non-cancellable operating leases as set out below:

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Note later than 1 year | 528 | 99 | - | - |
| Later than 1 year and not later than 5 years | 586 | 42 | - | - |
| Later than 5 years | - | - | - | - |
| | 1,114 | 141 | - | - |

## 30 Capital commitments

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Commitments contracted but not provided for | | | | |
| Construction | 75,912 | 79,839 | - | - |
| Commitments approved by the board but not contracted for | | | | |
| Construction | 57,059 | 45,450 | - | - |
| | 132,971 | 125,289 | - | - |

Capital commitments for the group and associations will be funded as follows:

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---|---|---|---|
| Social housing grant | 15,012 | 11,593 | - | - |
| New and existing loans | 109,661 | 103,854 | - | - |
| Sales of properties | 8,298 | 9,842 | - | - |
| | 132,971 | 125,289 | - | - |

## 31 Related party disclosures

***Subsidiary Undertakings***

The subsidiary organisations whose results have been incorporated into the consolidated accounts are detailed in Note 17 to the financial statements. These entities are consolidated on the basis that Sovini Limited has power of appointment to the Boards of the subsidiaries. The group and company have taken advantage of the FRS 102 exemption to not disclose transactions with group entities.

***Related party transactions with board members***

The One Vision Housing board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year for the member was £4,878 (2021: £4,806) and the tenant had a year end rent account credit balance of £494 (2021: £494 credit).

## 32 Contingent liabilities

***Grants on amalgamation***

As a result of the amalgamation with Venture Housing Association Limited (30 January 2015), properties were brought in at their fair value and therefore £34,173,556 of Social Housing Grant (SHG) was not recorded in the Statement of Financial Position. In the event that a property acquired on amalgamation is disposed the associated SHG released on completion may be repayable, but is normally available to be recycled and credited to a recycled capital grant fund or disposal proceeds fund and included in the statement of financial position in creditors.

***Social Housing Pension Scheme***

We have been notified by the Trustee of the Social Housing Pension Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

## 33 Net debt reconciliation

| | At 1 April 2021 £'000 | Cash flows £'000 | New finance leases £'000 | Other non-cash changes £'000 | At 31 March 2022 £'000 |
|---|---|---|---|---|---|
| Cash at bank and in hand | 9,342 | 2,216 | - | - | 11,558 |
| Obligations under finance leases | (2,619) | 1,210 | (1,053) | - | (2,462) |
| Bank loans | (217,471) | (17,336) | - | (212) | (235,019) |
| **Total** | (210,748) | (13,910) | (1,053) | (212) | (225,923) |

## 34 Post balance sheet events

On 1 June 2022 One Vision Housing Limited sold its head office building for a consideration of £2.9m, as at 31 March 2022 the office building was held as long leasehold land and building (note 14) at a value of £2.5m.

Post year end One Vision Housing has obtained a £75m revolving credit facility with Barclays, of this £50m is refinancing of existing facilities and £25m of new financing, the company has access to this RCF from June 2022 to June 2027, with extension options available to June 2029.