



## Mutual Societies Annual Return AR30 – Industrial and Provident Societies Act 1965 Form

### Full name of society:

Church of England Soldiers', Sailors' and Airmen's Housing Association

### Important information you should read before completing this form

We require all Industrial and Provident societies to complete this form every year.

For a society registered on or after 8 January 2012, the year of account will end on the last day of the month in which the anniversary of its registration falls, unless the society has notified us otherwise. For a society registered before 8 January 2012, the society's year of account must end between 31 August to 31 January inclusive, unless the society has notified us otherwise.

All the required information must be submitted within seven months of the year end date. Failure to submit the documents constituting your society's annual return by the due date is an offence and may result in prosecution.

Please keep a copy of the form and the supporting documents for future reference.

The notes that accompany this form will help you complete the questions.

Please be aware that any personal details you give on the form will be placed on the society's public file.

It is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to assess your annual return.

### Terms in this form and Contents

'FCA', 'PRA', 'we' and 'us' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

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FCA use only		
	Date Received	Case Officer
1st		
2 <sup>nd</sup>		





## Mutual Societies Annual Return AR30 –Industrial and Provident Societies Act 1965

### Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print out the completed form and arrange for it to be signed.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you think a question is not relevant to you, write 'not applicable' and explain why.

5 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will have to treat the return as incomplete. This will increase the time taken to assess your return.

6 If there is not enough space on the form, you may need to use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number.

7 Send us your application by post. It must include:

- this form;
- a set of printed accounts;
- an audit report or accountant's report where appropriate ; and
- supporting documents.

Send to:

**Mutuals Team**  
**Financial Conduct Authority**  
**25 The North Colonnade**  
**Canary Wharf**  
**LONDON**  
**E14 5HS**

# 1

## Details of society

### 1.1 Details of the society

Register number	21222/R
Registered office address	1 Shakespeare Terrace 126 High Street Portsmouth
Postcode	PO1 2RH

### 1.2 Year end date (dd/mm/yyyy)

See Note 1.2

3	1	/	1	2	/	2	0	1	3
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### Committee of management

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

### 1.3 Details of Chairman

Name	Rear Admiral Alan Rymer
Address	Sandgrounders, Elms Ride West Wittering, West Sussex
Postcode	PO20 8LP
Year of birth	1958
Business occupation and other directorships	Director Lune Consulting (Independent management consultant)

### 1.4 Details of Treasurer

Name	Commander Patrick Keefe Royal Navy (Retired)
Address	35 St Mary's Avenue Teddington
Postcode	TW11 0HZ
Year of birth	1959
Business occupation and other directorships	Chief Executive Officer CESSA Housing Association

## 1.5 Details of Secretary

Name	See Treasurer
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

## 1.6 Details of Members of the Committee

Name	Address	Year of birth	Business occupation and other directorships
Commander Patrick Mayfield Royal Navy (Retired)	Lonsdale House Redford GU29 0QF	1936	Retired Naval Officer
Air Commodore David Hamilton-Rump	37 Thornton Avenue Warsash S031 9FL	1943	Retired Air Force Officer
Commander Stephen Carter Royal Navy (Retired)	4 Rogersmede Hayling Island PO11 0PN	1949	Retired Naval Officer
Air Commodore Michael Allisstone	The Old Cottage Church Land Sidlesham PO20 7RH	1933	Retired Air Force Officer
Commander Anthony Mizen Royal Navy (Retired)	3 Heatherdown, Roman Road, Dibden Purlicu, Hants, SO45 4AZ	1946	Retired Naval Officer
Mr Bernard Parsons	46 Maple Drive Denmead PO7 6QQ	1943	Retired Chartered Accountant

Please use separate sheets of paper if you need more space.

Please indicate how many separate sheets of paper you have used.

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All societies must answer the following questions whether the answers are yes or no, and provide all other information requested

1.7 Does the society take deposits (excluding withdrawable shares) within the provisions of the Financial Services and Markets Act 2000?

- ☒ No  
☐ Yes

1.8 Does the society hold deposits (excluding withdrawable shares) taken previously, even though it does not currently take them, within the provisions of the Financial Services and Markets Act 2000?

- ☒ No  
☐ Yes

1.9 Is the society a subsidiary of another society?

- ☒ No  
☐ Yes

1.10 Does the society have one or more subsidiaries?

- ☒ No  
☐ Yes

1.11 Is the society currently accepted by the Inland Revenue as a charity for tax purposes?

- ☐ No ▶ Continue to question 1.12  
☒ Yes ▶ Give details below

Reference number of letter from Inland Revenue or the Scottish Charity number

Your letter 21222/R/HK  
dated 7 Jun 10 refers

You must confirm that you have attached a copy of the ☐ Yes  
Inland Revenue's letter to this return

1.12 Is the society registered with the Homes and Communities Agency, Welsh Ministers or The Scottish Housing Regulator?

- ☐ No ▶ Continue to question 1.14  
☒ Yes ▶ Select the one you are registered with below and provide the registration number  
☒ Homes and Communities Agency  
☐ Welsh Ministers  
☐ The Scottish Housing Regulator

Register number L0104

1.13 Is the society a registered social landlord?

- ☐ No  
☒ Yes

1.14 Does the society offer any insurance products?

- ☒ No  
☐ Yes

1.15 Does the society undertake residential mortgage business?

- ☒ No  
☐ Yes

1.16 Name of any organisation to which the society is affiliated

Name National Housing Association (No. 306)

## Benefit of the community societies

- 1.17 As once completed this return will be placed on the society's public file, benefit of the community societies are welcome to use the space below to provide a report for all those who may have an interest in the society. If provided, this report should cover the activities of the society during the financial period covered by the return and should set out how these activities have brought benefit to the community.

CESSA HA is a Registered Provider of Social Housing and a charitable Housing Association for elderly ex-service personnel and their families. Although applications remain buoyant and void rates very low, there are no current plans for expansion due to the shrinking pool of eligible beneficiaries. The focus is instead on the improvement of the facilities and services to tenants. Owning fewer than 1,000 properties, it is defined as 'small' by the Homes and Communities Agency. Its principal activities are the rental and management of 200 sheltered flats situated in five locations in Portsmouth, Southsea, Gosport and Fareham. Additionally, in a fine example of collaborative working to reduce costs for all involved, the head office staff also manage 91 sheltered flats on behalf of Greenwich Hospital in a further three schemes. The actual agreement is between Greenwich Hospital and the Association's sister charity, CESSAC. Proportional Housing Association employee costs are recovered from CESSAC for both the work for Greenwich Hospital and for those joint employees who also work for the charity. It is for this reason that the employee costs shown in the Association accounts are low, benefitting all parties including the pensioner tenants.

This year there has been significant work and expenditure to replace boilers in several Courts, including the entire plant room at CESSAC House. The major achievement, however, has been all the work to enable the planned October start of the first phase of the remodelling of St George's Court. It was therefore particularly welcome news to hear that the Association had been awarded a grant of £160,000 from the Government's 'Libor' Fund towards this work, which is recognised to be in support of the Armed Forces' Covenant. This money will enable the second and final phase to be brought forward, to complete earlier and at potentially lower overall cost.

At first sight there appears to have been an enormous jump in surplus from £46,484 last year to £287,136 in 2013. However, as noted in the 2012 accounts, the actual operating surplus would have been £246,130 were it not reduced to the former by the net effect of the disposal of Allenby Court/redemption of mortgages. Meanwhile, the 2013 'surplus' has been reduced by the capital expended at CESSAC House and St George's Court, but inflated by £51,172 of the Libor Grant for the latter (see note 3, while the remaining £108,828 is recorded as a creditor at note 9). Therefore the effective operating surplus is more consistent that the bald figures indicate, the HA has performed well again this year and remains on track in accordance with its business plan. Risks are monitored regularly by the Committee of Management and any mitigation required instigated.

Please use separate sheets of paper if you need more space.

Please indicate how many separate sheets of paper you have used.

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## 2

## Statistics

We can use these figures in our Annual Report.

## Account details

## 2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	6
B	Members ceased during year	0
C	Members admitted during year	1
D	Members at end of year	7
E	Turnover for year	£1,088,436
F	Total of income and expenditure (receipts and payments added together)	NA - professional auditors
G	Net surplus/ <del>(deficit)</del> for year	£287,136
H	Fixed assets	£1,146,375
I	Current assets	£1,294,943
J	Total assets (equal to amount in row O, below)	£2,441,318
K	Current liabilities	£172,916
L	Share capital	£7
M	Long-term liabilities	£436,958
N	Reserves	£1,831,437
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	£2,441,318
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other Industrial and Provident societies	0
Q	Loans from members	0
R	Loans from Employees' Superannuation Schemes	0
S	Dividends on sales	0
T	Share interest	0

**2.2 Names of subsidiaries as defined in Section 15 of the Friendly and Industrial and Provident Societies Act 1968**

None

**2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)**

The society must have written authority from us to exclude a subsidiary from group accounts

None



# 3

## The audit

### 3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- ☒ Full professional audit    ▶ Continue to section 4
- ☐ Accountant's report    ▶ Complete questions 3.2 and 3.3
- ☐ Lay audit    ▶ Complete questions 3.2 and 3.3
- ☐ Unaudited    ▶ Complete questions 3.2 and 3.3

### 3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No
- ☐ Yes

### 3.3 Has the membership passed at general meeting, in accordance with section 4A(2) of the Friendly and Industrial and Provident Societies Act 1968, a resolution allowing the society not to undertake a full professional audit for the year of account in question?

- ☐ No
- ☐ Yes

# 4

## Accounts and signature

### Accounts

- 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

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- 4.2 Has your society produced accounts to the minimum standard required?

- ☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached
- ☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

### Signature – all societies to complete

- 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

Name	Patrick Charles Keefe
Signature	
Phone number	02392829319
Email	patrick.keefe@cessaha.co.uk
Date	12/05/14

HCA Registration No. L0104  
FCA Registration No. 21222R

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

(a charitable housing association)

**BOARD REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**



Church of England  
Soldiers', Sailors' & Airmen's  
Housing Association Ltd



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

## INFORMATION

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Directors	Commander P T Mayfield Royal Navy Air Commodore M J Allisstone CBE Commander S F Carter Royal Navy Commander A E Mizen Royal Navy Air Commodore D J Hamilton-Rump Mr B H Parsons FCA Rear Admiral A R Rymer	(Appointed 13 March 2014)     (Appointed 12 February 2014)
Secretary	Commander P C Keefe Royal Navy	
HCA Registration No.	L0104	
FCA Registration No.	21222R	
Registered office	1 Shakespeare Terrace 126 High Street Portsmouth Hampshire PO1 2RH	
Auditors	Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX	
Bankers	Lloyds Bank Plc 38 London Road Portsmouth Hampshire PO2 0LR	
Solicitors	Blake Lapthorn Harbour Court, Compass Road North Harbour Portsmouth Hampshire PO6 4ST	

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

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

## BOARD REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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The directors present their report and financial statements for the year ended 31 December 2013.

### Principal activities

The Association is a Registered Provider of Social Housing and a charitable Housing Association for elderly ex-service personnel and their families. Although applications remain buoyant and void rates very low, there are no current plans for expansion due to the shrinking pool of eligible beneficiaries. The focus is instead on the improvement of the facilities and services to tenants. Owning fewer than 1,000 properties, it is defined as 'small' by the Homes and Communities Agency.

Its principal activities are the rental and management of 200 sheltered flats situated in five locations in Portsmouth, Southsea, Gosport and Fareham. Additionally, in a fine example of collaborative working to reduce costs for all involved, the head office staff also manage 91 sheltered flats on behalf of Greenwich Hospital in a further three schemes. The actual agreement is between Greenwich Hospital and the Association's sister charity, CESSAC. Proportional employee costs are recovered from CESSAC for both the work for Greenwich Hospital and for those joint employees who also work for the charity. It is for this reason that the employee costs shown in the Association's accounts are low, benefitting all parties including the pensioner tenants.

### Code of governance

The Association is governed by its directors in a Committee of Management, in accordance with its rules, and has adopted and complied with the National Housing Federation's (NHF) 'Excellence in Governance' (September 2010) code of governance. The NHF's checklist is reviewed annually and was last completed in May 2013. The only issues from the checklist are:

- One board member is in his tenth year, because as Vice Chairman he took over as Chairman when Rear Admiral Goodall resigned unexpectedly last autumn through ill-health. In these exceptional circumstances it is intended that he remains a director for a further term.
- As a small association, there is no formal separate Finance or Audit Committee, but one of the Committee of Management is a qualified FCA and supports that body in undertaking these roles. Much of the detailed performance monitoring is conducted by a sub-committee (which has tenant representation).

### Rents

The majority of the Association's tenants have Assured Tenancies. Since 1997, its rent levels have been linked with government earning/prices indices, with an annual review effective from April, setting rent within HCA guidelines (whose current maximum is RPI + ½% + £2 a week). This policy was reviewed again by a sub-committee in 2013 (including tenants). Basic rent levels from April 2013 were only increased by the September 2012 CPI figure (2.2%) plus £2 a week (in 2012 the normally higher RPI had been used, then 5.6%, + ½% (total 6.1%) + £2 a week). Whereas, service charges are set to meet actual costs and therefore in 2013, as in previous years, about half the charges decreased slightly rather than increased.

### Financial review

This year there has been significant work and expenditure to replace boilers in several courts, including the entire plant room at CESSAC House. The major achievement, however, has been all the work to enable the planned October start of the first phase of the remodelling of St George's Court. It was therefore particularly welcome news to hear that the association had been awarded a grant of £160,000 from the Government's 'Libor' Fund towards this work, which is recognised to be in support of the Armed Forces' Covenant. This money will enable the second and final phase to be brought forward, to complete earlier and at potentially lower overall cost.

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

## BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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The results for the year are set out on page 7. At first sight there appears to have been an enormous jump in surplus from £46,464 last year to £287,136 in 2013. However, as noted in the 2012 accounts, the actual operating surplus would have been £246,130 were it not reduced to the former by the net effect of the disposal of Allenby Court/redemption of mortgages. Meanwhile, the 2013 surplus has been reduced by the capital expended at CESSAC House and St George's Court, but inflated by £51,172 of the Libor Grant for the latter (see note 3, while the remaining £108,828 is recorded as a creditor at note 9). Therefore the effective operating surplus is more consistent that the bald figures indicate, the Association has performed well again this year and remains on track in accordance with its business plan. Risks are monitored regularly by the Committee of Management and any mitigation required instigated.

### Fixed assets

The significant changes in fixed assets during the year are explained in note 7 to the financial statements.

### Value for Money

We aim to deliver value for money by ensuring we take account of:

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

The ways in which we do this are:

- Reviewing regularly all the maintenance specifications and contracts to make sure the best prices are obtained. In 2013 we reviewed both the lift and boiler servicing contracts and changed providers to achieve improved performance at lower cost;
- Monitoring the charges made to ensure they reflect the prices agreed and the work undertaken;
- We employ our own maintenance staff to carry out most responsive repairs, instead of relying on contractors. In addition, our maintainers do small jobs in tenants' flats at no additional charge;
- Vacant properties are let as quickly as possible in order to maximise use and rental income, our average void losses are only 0.87% of lettable flats;
- Efficient rent collection with early identification of arrears and prompt follow up action result in arrears of only 0.15% of rents receivable;
- Regular reviews of financial and statistical performance by the Housing Committee and Committee of Management;
- Sharing costs with our 'sister' charity CESSAC and its relationship with Greenwich Hospital Sheltered Housing, so that all benefit from reduced overheads;
- Exploring new initiatives such as achieving the recent CHS accreditation. This year, we ran a pilot project that provided additional support to tenants in need, which has fed into the agreed terms of reference for a study into improving services next year;
- For major project work in 2013 (the replacement of plant room at CESSAC House and phase 1 of remodelling at St George's Court) we have used independent chartered surveyors to evaluate the different quotes and make their own recommendations as to the best value for money.

Being mindful that most tenants have only had moderate pension increases, all the actions above have enabled rents to be increased by less than the maximum allowed. Value for money is one of the issues briefed to all tenants in an annual report.

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

## BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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### Reserves

The policy has recently been changed and the operating reserve reduced from the previous 6 months to only 3, in recognition of the Association's relatively steady current and predicted operation. (Note the Government's Welfare Reform is not likely to affect the relationship between the association and its tenants). On the other hand, this year the Revenue Reserves have been reduced (see note 13) by recognition of the net value of the Association's 5 schemes as a 'Reserve financing capital expenditure' (because this reserve cannot be drawn on while our tenants are occupying the schemes). The Revenue Reserve and the operating surpluses predicted for the next 3 years will largely be expended in the work on St George's Court. Thereafter the Revenue Reserve will need to accumulate again to fund the anticipated major replacement items and other work under consideration for the benefit of tenants.

### Board members

The following directors, who are defined as members of the board, have held office since 1 January 2013:

Commander P T Mayfield Royal Navy

Air Commodore M J Allisstone CBE

Commander S F Carter Royal Navy

Rear Admiral S R J Goodall CBE

(Retired 14 October 2013)

Commander A E Mizen Royal Navy

(Appointed 13 March 2014)

Air Commodore D J Hamilton-Rump

Reverend Colin Noyce

(Appointed 19 November 2013 and resigned 12 February 2014)

Mr B H Parsons FCA

Rear Admiral A R Rymer

(Appointed 12 February 2014)

### Directors' interests

All directors (with the exception of Rear Admiral A R Rymer) hold one share in the association.

### Directors' insurance

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

### Auditors

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

### Statement of disclosure to auditor

(a) so far as the board members are aware, there is no relevant audit information of which the association's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as board members in order to make themselves aware of any relevant audit information and to establish that the association's auditors are aware of that information.



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

## BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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### Board members responsibilities

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

Housing Association legislation requires the board members to prepare financial statements for each financial year. Under that law the board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under law the board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and the income and expenditure of the association for that period.

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

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Internal control

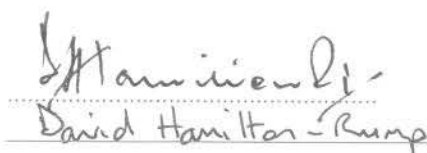
The Board acknowledge their ultimate responsibility for establishing and maintaining the whole system of internal control that is appropriate to the various business environments in which it operates and for reviewing effectiveness of those controls.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and internal examination by nominated Directors.

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

On behalf of the board

  
David Hamilton-Rump

8 May 2014

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

## **INDEPENDENT AUDITORS' REPORT**

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

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We have audited the financial statements of Church of England Soldiers', Sailors' and Airmen's Housing Association Limited on pages 7 to 23 for the year ended 31 December 2013. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Board's Responsibilities, the board is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including 'APB Ethical Standard - Provisions Available for Small Entities (Revised)', in the circumstances set out in note 18 to the financial statements.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

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



Jones Avens

Chartered Accountants  
Statutory Auditor

12-05-2014

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

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

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover	3	1,088,436	1,015,185
Operating costs		(803,128)	(767,215)
Other operating income		1,630	1,651
<b>Operating surplus</b>	<b>4</b>	<b>286,938</b>	<b>249,621</b>
Surplus on sale of property		-	201,830
<b>Surplus on ordinary activities before interest</b>		<b>286,938</b>	<b>451,451</b>
Investment income		12,636	18,205
Interest payable and similar charges	5	(12,438)	(423,172)
<b>Surplus on ordinary activities before taxation</b>		<b>287,136</b>	<b>46,484</b>
Tax on surplus on ordinary activities	6	-	-
<b>Surplus on ordinary activities after taxation</b>	<b>13</b>	<b>287,136</b>	<b>46,484</b>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

There are no recognised surpluses and deficits other than those passing through the income and expenditure account.

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

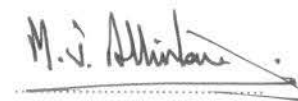
## BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	£	2013 £	2012 £
<b>Fixed assets</b>				
Housing properties - depreciated cost		4,657,340	4,615,868	
Less Social Housing Grant		(3,526,682)	(3,529,000)	
<b>Net book value of housing properties</b>	<b>7</b>		1,130,658	1,086,868
Other fixed assets	<b>7</b>		15,717	2,521
			<u>1,146,375</u>	<u>1,089,389</u>
<b>Current assets</b>				
Debtors	<b>8</b>	15,037	9,457	
Cash at bank and in hand		1,279,906	965,455	
		<u>1,294,943</u>	<u>974,912</u>	
<b>Creditors: amounts falling due within one year</b>	<b>9</b>	(172,916)	(54,669)	
<b>Net current assets</b>			<u>1,122,027</u>	<u>920,243</u>
<b>Total assets less current liabilities</b>			<u>2,268,402</u>	<u>2,009,632</u>
<b>Creditors: amounts falling due after more than one year</b>	<b>10</b>		436,958	465,325
<b>Capital and reserves</b>				
Called up share capital	<b>12</b>		7	6
Other reserves	<b>13</b>		1,055,028	543,134
Revenue reserves	<b>13</b>		776,409	1,001,167
			<u>2,268,402</u>	<u>2,009,632</u>

The financial statements were approved by the Board on 8 May 2014 and signed on its behalf by:

  
Commander P C Keefe Royal Navy  
Secretary

  
Board member  
David Hamilton-Rump

  
Board member  
Mike Allisstone

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	£	2013 £	£	2012 £
<b>Net cash inflow from operating activities</b>		450,576		281,127
<b>Returns on investments and servicing of finance</b>				
Interest received	8,131		18,605	
Interest paid	(12,325)		(433,420)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(4,194)		(414,815)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(104,257)		(32,970)	
Receipts from sales of tangible assets	-		223,380	
<b>Net cash outflow for capital expenditure</b>		(104,257)		190,410
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		342,125		56,722
<b>Financing</b>				
Issue of ordinary share capital	1		2	
Other new long term loans	-		520,000	
Repayment of other long term loans	(27,675)		(349,270)	
Repayment of other short term loans	-		(300,000)	
<b>Net cash outflow from financing</b>		(27,674)		(129,268)
<b>Increase/(decrease) in cash in the year</b>		314,451		(72,546)

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

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

1	Reconciliation of operating profit to net cash inflow from operating activities	2013	2012
		£	£
	Operating profit	286,938	249,621
	Depreciation of tangible assets	43,878	37,915
	Loss on disposal of tangible assets	3,393	79
	Forfeited shares	-	(9)
	(Increase)/decrease in debtors	(1,075)	223
	Increase/(decrease) in creditors within one year	117,442	(6,702)
	Net cash inflow from operating activities	450,576	281,127

2	Analysis of net funds	1 January 2013	Cash flow	Other non-cash changes	31 December 2013
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	965,455	314,451	-	1,279,906
	Debt:				
	Debts falling due within one year	(27,675)	27,675	(28,367)	(28,367)
	Debts falling due after one year	(465,325)	-	28,367	(436,958)
		(493,000)	27,675	-	(465,325)
	Net funds	472,455	342,126	-	814,581

3	Reconciliation of net cash flow to movement in net funds	2013	2012
		£	£
	Increase/(decrease) in cash in the year	314,451	(72,546)
	Cash outflow from decrease in debt	27,675	129,270
	Movement in net funds in the year	342,126	56,724
	Opening net funds	472,455	415,731
	Closing net funds	814,581	472,455

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards and statements of recommended practice.

The association is a Registered Provider of Social Housing and is incorporated under the Industrial and Provident Societies Act 1965.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) Accounting by registered social housing providers Update 2010.

#### 1.3 Turnover

Turnover represents rental income and service charges receivable, after deduction of void losses, grants and other sundry receipts from social and welfare activities.

#### 1.4 Tangible fixed assets and depreciation

Housing properties are accounted for on a component basis, with those components of a building with substantially different useful lives being accounted for and depreciated over those estimated lives. Tangible fixed assets other than freehold land are stated at cost less Social Housing Grant (SHG) and depreciation. The principles of FRS15 are adopted and where the economic benefits are enhanced, costs are capitalised. Development costs are capitalised where they are directly attributable to schemes under development during the year, otherwise all costs are recognised in the income and expenditure account in the period incurred.

Interest on loans financing a development is capitalised up to the date when the property is substantially complete.

Where developments have been financed wholly or partly by social housing or other government or capital grants, the cost of those developments has been reduced by the grant receivable. SHG also includes the value attributable to "free land" and other discounts given where the grant receivable was reduced by an equivalent amount. Whilst SHG has been treated as a grant it is repayable under certain circumstances, primarily following the sale of a property, but repayment is often restricted to the net proceeds of sale.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	Straight line over the following lives:	
	main fabric	one hundred years
	roof structure	seventy years
	double glazing	thirty years
	boilers and heat	ten to thirty years
	kitchens	twenty years
	bathrooms	thirty years
	electrics	forty years
	lifts	twenty years
Office equipment	25% straight line basis	
Furniture & fittings	10% straight line basis	
Motor vehicles	25% straight line basis	



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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 1 Accounting policies (continued)

#### 1.5 Pensions

The pension costs charged in the financial statements represent the contributions payable by the association during the year in accordance with FRS 17.

#### 1.6 Deferred taxation

The association has charitable status and a provision for deferred taxation is not appropriate.

#### 1.7 Value Added Tax (VAT)

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

#### 1.8 Reserves

Reserves have been designated by the board as follows:

##### Reserve financing capital expenditure

A reserve is maintained to show the extent to which the total reserves of the association have been committed to funding housing land and buildings.

##### Operating Cost Reserve

The Association maintains this reserve, which is the equivalent of approximately 25% of the annual turnover, as a contingency measure for unexpected reductions in income from rental and expenses that would not fall to any other authority.

##### Social & Welfare Reserve

This reserve has been created from income and surpluses generated from activities outside the association's main function - rented, sheltered housing for the elderly. Income includes any donations received and income earned on welfare funds on deposit. It supports the association's expenditure on social and welfare activities benefiting its tenants.

##### Renewals Reserve

This reserve has been established from the unexpended sums collected from service charges in respect of planned major equipment replacement and will be utilised as and when said items are replaced.

### 2 Units in management

	2013	2012
	Units	Units
Flats for rent (including resident managers)	200	200
	200	200

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

<b>3</b>	<b>Income and expenditure from lettings</b>	<b>2013 Total £</b>	<b>2012 Total £</b>
	<b>Income</b>		
	Rent receivable net of identifiable service charges	662,829	640,797
	Service income	371,815	371,638
	<b>Net rental income</b>	<b>1,034,644</b>	<b>1,012,435</b>
	Major repairs grants	51,172	-
	<b>Turnover from social housing lettings</b>	<b>1,085,816</b>	<b>1,012,435</b>
	<b>Other income</b>		
	Guest room income	2,620	2,750
	<b>Total turnover</b>	<b>1,088,436</b>	<b>1,015,185</b>
	Operating costs on social housing lettings	803,128	767,215
		<u>282,688</u>	<u>245,220</u>
	Void losses	8,988	10,813
<b>4</b>	<b>Operating surplus</b>	<b>2013 £</b>	<b>2012 £</b>
	Operating surplus is stated after charging:		
	Depreciation of tangible assets	43,878	37,915
	Loss on disposal of tangible assets	3,393	79
	Auditors' remuneration (excluding VAT)	4,430	3,553
	Remuneration of auditors for non external audit work (excluding VAT)	768	820
<b>5</b>	<b>Interest payable</b>	<b>2013 £</b>	<b>2012 £</b>
	On loans repayable after 5 years	12,438	15,388
	Loan breakage costs on early redemption	-	404,476
	Other interest paid	-	3,308
		<u>12,438</u>	<u>423,172</u>
<b>6</b>	<b>Taxation</b>		

On the basis of these financial statements no provision has been made for corporation tax.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 7 Tangible fixed assets

Housing land and buildings	Held for letting £	Total £
<b>Cost</b>		
At 1 January 2013	5,077,466	5,077,466
Additions	90,431	90,431
Disposals	(24,371)	(24,371)
At 31 December 2013	5,143,526	5,143,526
<b>Social Housing Grant</b>		
At 1 January 2013	3,529,000	3,529,000
On disposals	(2,318)	(2,318)
At 31 December 2013	3,526,682	3,526,682
<b>Depreciation</b>		
At 1 January 2013	461,598	461,598
On disposals	(18,660)	(18,660)
Charge for the year	43,248	43,248
At 31 December 2013	486,186	486,186
<b>Net book value</b>		
At 31 December 2013	1,130,658	1,130,658
At 31 December 2012	1,086,868	1,086,868
Net book values are comprised of:		
Freehold		1,130,658

All of the above additions are the replacement of components.

Contingent liability - with the adoption of component accounting, any grant that attaches to a component that has been replaced is treated as a disposal, along with the cost and depreciation. Upon the ultimate disposal of a housing property any grant received is usually either recyclable or repayable. In addition to the grant disclosed above a further sum of £145,964 (2012 - £143,646) would also be recyclable or repayable.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 7 Tangible fixed assets (continued)

#### Other fixed assets

	Office equipment	Furniture & fittings	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2013	5,778	153,462	45,137	204,377
Additions	-	13,826	-	13,826
Disposals	-	(22,696)	-	(22,696)
At 31 December 2013	5,778	144,592	45,137	195,507
<b>Depreciation</b>				
At 1 January 2013	5,778	150,941	45,137	201,856
On disposals	-	(22,696)	-	(22,696)
Charge for the year	-	630	-	630
At 31 December 2013	5,778	128,875	45,137	179,790
<b>Net book value</b>				
At 31 December 2013	-	15,717	-	15,717
At 31 December 2012	-	2,521	-	2,521

8 Debtors	2013 £	2012 £
Arrears of rent and service charges	1,469	2,194
Other debtors	-	40
Prepayments and accrued income	13,568	7,223
	15,037	9,457

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

9	Creditors: amounts falling due within one year	2013 £	2012 £
	Loans	28,367	27,675
	Rent and service charges in advance	214	546
	Church of England Soldiers', Sailors' and Airmen's Clubs	-	3,308
	Grant in advance - LIBOR fund	108,828	-
	Accruals and deferred income	35,507	23,140
		<u>172,916</u>	<u>54,669</u>

The grant in advance was received from the LIBOR fund and is in respect of the works at St George's Court. The works started in 2013 and will continue throughout 2014, to date £51,172 has been charged to the income and expenditure account.

10	Creditors: amounts falling due after more than one year	2013 £	2012 £
	Other loans	<u>436,958</u>	<u>465,325</u>
	<b>Analysis of loans</b>		
	Not wholly repayable within five years by instalments:		
	Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC)	<u>465,325</u>	<u>493,000</u>
		465,325	493,000
	Included in current liabilities	<u>(28,367)</u>	<u>(27,675)</u>
		<u>436,958</u>	<u>465,325</u>
	Instalments not due within five years	<u>316,219</u>	<u>347,531</u>
	<b>Loan maturity analysis</b>		
	In more than one year but not more than two years	29,076	28,367
	In more than two years but not more than five years	91,663	89,427
	In more than five years	<u>316,219</u>	<u>347,531</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 11 Pension costs

CESSA Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

CESSA Housing Association Limited currently operates a career average revalued earnings (CARE) with a 1/80th accrual rate and a defined contribution benefit structure for new members, and has active members in final salary and CARE with 1/60th and 1/80th accrual rates.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period CESSA Housing Association Limited paid contributions at the rate of 4.5% to 9.3%. Member contributions varied between 7.6% and 11.5%.

As at the balance sheet date there were 10 active members of the Scheme employed by CESSA Housing Association Limited. The annual pensionable payroll in respect of these members was £243,157. CESSA Housing Association Limited continues to offer membership of the Scheme to its employees.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 11 Pension costs

(continued)

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062,000,000. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035,000,000, equivalent to a past service funding level of 67%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327,000,000. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241,000,000, equivalent to a past service funding level of 65%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

#### Valuation Discount Rates

- Pre retirement - 7.0%
- Non Pensioner Post retirement - 4.2%
- Pensioner Post retirement - 4.2%
- Pensionable earnings growth - 2.5% for 3 years then 4.4%
- Price inflation RPI - 2.9%

#### Pension Increases

- Pre 88GMP - 0.0%
- Post 88 GMP - 2.0%
- Excess over GMP - 2.4%

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre-retirement - 41% of SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females
- Mortality post retirement - 97% of SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

- Final salary with a 1/60th accrual rate - 19.4%
- Final salary with a 1/70th accrual rate - 16.9%
- Career average revalued earnings (CARE) with a 1/60th accrual rate - 18.1%
- Final salary with a 1/80th accrual rate - 14.8%
- Career average revalued earnings (CARE) with a 1/80th accrual rate - 14.0%
- Career average revalued earnings (CARE) with a 1/120th accrual rate - 9.7%

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 11 Pension costs

(continued)

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035,000,000 would be dealt with by the payment of deficit contributions as shown below:

- From 1 April 2013 to 30 September 2020 - A cash amount(\*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
- From 1 October 2020 to 30 September 2023 - A cash amount(\*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
- From 1 April 2013 to 30 September 2026 - £30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in the paragraph above.

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.



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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 11 Pension costs

(continued)

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). A response regarding the 30 September 2011 valuation is awaited.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

CESSA Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for CESSA Housing Association Limited was £1,000,378.

### 12 Share capital

2013	2012
£	£

#### Allotted, called up and fully paid

Ordinary shares brought forward	6	13
Shares forfeited	-	(9)
Shares issued	1	2
	<hr/>	<hr/>
7 Ordinary shares of £1 each	7	6
	<hr/>	<hr/>

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 13 Statement of movements on reserves

	Other reserves (see below) £	Income and expenditure account £
Balance at 1 January 2013	543,134	1,001,167
Retained surplus for the year	-	287,136
Movement during the year	511,894	(511,894)
Balance at 31 December 2013	1,055,028	776,409
<b>Other reserves</b>		
<b>Reserve financing capital expenditure</b>		
Transfer (to)/from income and expenditure account	667,269	
Balance at 31 December 2013	667,269	
<b>Operating cost reserve</b>		
Balance at 1 January 2013	450,000	
Transfer (to)/from income and expenditure account	(190,000)	
Balance at 31 December 2013	260,000	
<b>Renewals reserve</b>		
Balance at 1 January 2013	33,581	
Transfer (to)/from income and expenditure account	34,625	
Balance at 31 December 2013	68,206	
<b>Social and welfare reserve</b>		
Balance at 1 January 2013	59,553	
Balance at 31 December 2013	59,553	

### 14 Contingent liabilities

#### Social Housing Pension Scheme - Employer Debt Regulations

Following a change in legislation in September 2005 there is a potential debt on employers that participate in multi-employer pension schemes such as SHPS that could be levied by the Trustee.

The relevant legislative changes are included in the Occupational Pension Schemes (Employer Debt on Withdrawal) Regulations 2005. An employer debt is due in the event of an employer ceasing to participate in a multi-employer pension scheme or the scheme winding up at a time when it is not fully funded on a buy-out basis. See note 11 for further details in this respect.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

<b>15 Capital commitments</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>

At 31 December 2013 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	193,264	-
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The above expenditure will be funded by the remaining LIBOR grant (see note 9) of £108,828 and cash reserves.

<b>16 Directors' emoluments</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	22,796	20,796

In accordance with the Accounting Direction for Private Registered Providers of Social Housing 2012, a director means a member of the board and for the purpose of this disclosure also includes the chief executive and any other person who is a member of the senior management team.

None of the Committee of Management received emoluments in 2013 (2012 - nil).

After deducting recharges of £32,571 (2012 - £40,122) to the Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC, a related party), emoluments (excluding pension and national insurance contributions) incurred in respect of the Chief Executive, the only Senior Executive, were £22,796 (2012 - £20,796). The Chief Executive is not a member of the Committee of Management, but was an ordinary member of the association's pension scheme (The Social Housing Pension Scheme administered by The Pension Trust - Note 11) carrying no special terms. He received an estimated pension contribution of £876 (2012 - £nil) from the association during the year after apportionment with CESSAC who contributed a further £584 (2012 - £nil). He has no other individual pension arrangement to which the association makes a contribution.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 17 Employees

#### Number of employees

The average monthly number of full time equivalent employees (including directors) during the year was:

	2013 Number	2012 Number
Average full time equivalents	12	11

#### Employment costs

	2013 £	2012 £
Wages and salaries	295,189	280,657
Social security costs	19,964	23,324
Other pension costs	34,936	28,973
	350,089	332,954

### 18 Auditors' Ethical Standards

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