



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Society name:

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

Important information you should read before completing this form

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- 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 process your annual return.

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

Terms in this form

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

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

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

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 the completed form and arrange for it to be signed by all relevant individuals.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

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

4 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 treat the application as incomplete. This will increase the time taken to assess your application.

5 If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6 Email a scanned copy of the signed form and supporting documents to

mutualsannrtns@fca.org.uk

or send it by post to:

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

7. Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

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	4
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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 (Retired)
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). Non-Executive Director South East Coast Ambulance Foundation

1.4 Details of Treasurer

Name	Commander PATRICK KEEFE Royal Navy (Retired)
Address	Annesley House, Queens Crescent, Southsea
Postcode	PO5 3HE
Year of birth	1959
Business occupation and other directorships	Chief Executive Officer CESSA Housing Association Ltd

1.5 Details of Secretary

Name	See Treasurer
Address	
Postcode	
Year of birth	yyyy
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	Lonsdale House Redford GU29 0QF	1936	Retired Naval Officer
Air Commodore DAVID HAMILTON- RUMP	37 Thornton Avenue Warsash SO31 9FL	1943	Retired Air Force Officer
Commander STEPHEN CARTER Royal Navy	4 Rogers Mead 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	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, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

0

Please continue, answering all questions.

1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?

- ☒ No
☐ Yes

1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000? (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage business). If 'yes' please state the society's Financial Services Register firm reference number

- ☒ No
☐ Yes

Financial Services Register firm reference number

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 HM Revenue and Customs as a charity for tax purposes?

- ☐ No
☒ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

- ☒ Yes

1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?

- ☒ No
☐ Yes ▶ provide your Scottish Charity number below

1.13 Is the society registered with one of the following (please tick)?

- ☒ Homes and Communities Agency
☐ The Welsh Ministers
☐ Scottish Housing Regulator

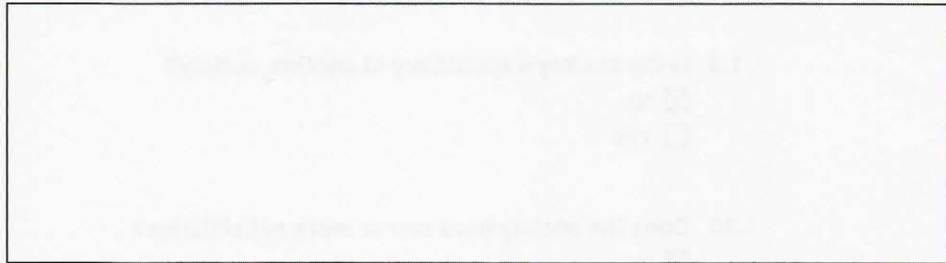
If so, please provide your register number

All societies must answer the following questions:

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

Bona fide co-operative society

1.14 How did members benefit from the business, industry or trade of the society during the year?

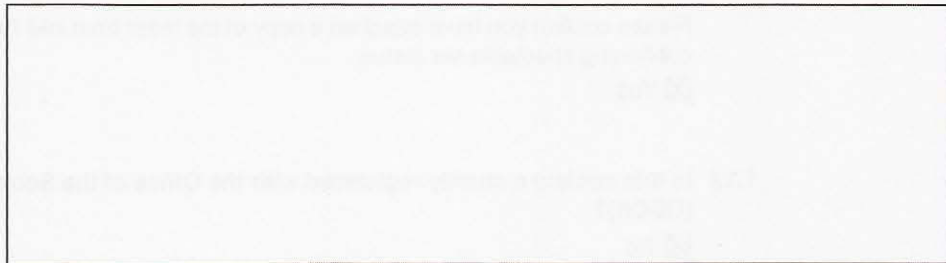


1.15 Is membership of the society required to obtain the benefits offered by it?

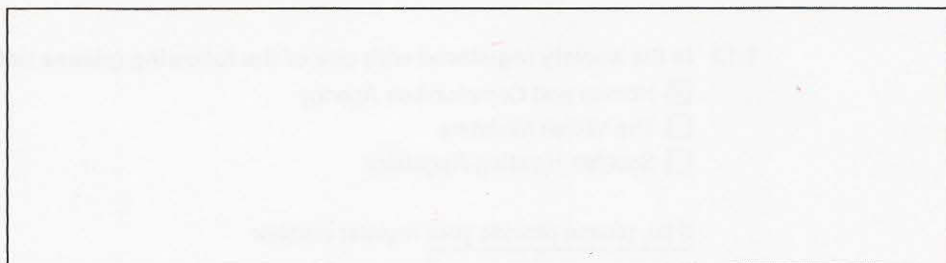
☐ Yes

☐ No

1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?



1.17 How did members democratically control the society?



1.18 How did the society use any surplus/profit?

If the society distributed the surplus/profit to members please explain how this was done.

--

Please use separate sheets of paper if you need more space (see section 5 above)

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

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Continue to 2.1

Community benefit society

1.19 Who are the community the society benefited?

Elderly ex-Service personnel and their families.

1.20 How did the society benefit that community during the year?

Rents remain on average 15% below the Formula Rent allowed by the Government. Each scheme has a manager, a proportion of whose time is funded by the Association to facilitate the organisation of social activities for tenants. Each scheme is provided with a Careline service, controlled access, lifts, communal lounge with kitchen, guest room, hearing induction loop, laundry facilities, garden, salon for visiting hairdresser/other practitioner and charging/storage facilities for mobility scooters. A minibus is provided, especially for the schemes further from local facilities.

1.21 How did the society use any surplus/profit?

The Association is in the middle of a remodelling project to improve the quality of accommodation of one of its schemes, spending £1M across 3 of its financial years. In 2014 the first phase completed, changing 9 bedsits into 6 double bedroomed flats to meet demand. The second phase has started, which will convert the remaining bedsits into single-bedroom flats by the end of February 2016 and provide a double bedroom specially adapted for disabled use. Improvements made in other schemes include some new kitchens, bathrooms and upgraded fire alarm systems.

Please use separate sheets of paper if you need more space (see section 5 above).

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

0

Continue to 2.1

2 Statistics

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	7
B	Members ceased during year	1
C	Members admitted during year	9
D	Members at end of year	15
E	Turnover for year	1,162,190
F	Total of income and expenditure (receipts and payments added together)	NA - professional auditors
G	Net surplus/(deficit) for year	52,733
H	Fixed assets	1,494,514
I	Current assets	906,435
J	Total assets (equal to amount in row O, below)	2,400,949
K	Current liabilities	108,882
L	Share capital	15
M	Long-term liabilities	407,882
N	Reserves	1,884,170
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	2,400,949
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other registered societies	0
Q	Loans from members	0
R	Loans from Employees' Superannuation Schemes	0
S	Dividends on sales	0
T	Share interest	0

None

2.3 Names of subsidiaries not dealt with in group accounts (if any) and 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.

- | | |
|-------------------------------------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> Full professional audit | ▶ Continue to section 4 |
| <input type="checkbox"/> Accountant's report | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> Lay audit | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> 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 a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ 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)

0	6	/	0	5	/	2	0	1	5
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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	12/05/15

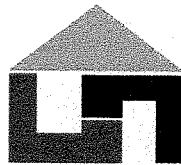
HCA Registration No. L0104
FCA Registration No. 21222R

**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 2014



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

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

INFORMATION

Directors	Rear Admiral A R Rymer	(Appointed 12 February 2014)
	Air Commodore M J Allisstone CBE	
	Commander S F Carter Royal Navy	
	Commander P T Mayfield Royal Navy	
	Commander A E Mizen Royal Navy	(Appointed 13 March 2014)
	Air Commodore D J Hamilton-Rump	
	Mr B H Parsons FCA	
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 Morgan LLP Harbour Court, Compass Road North Harbour Portsmouth Hampshire PO6 4ST	

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

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

BOARD REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

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 slowly 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 197 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' (as at September 2010) code of governance. The NHF's checklist is reviewed annually (the change in 2015 has been noted) and was last completed in May 2014. The only issues from the checklist are:

- One board member has exceeded nine years, because when Vice Chairman, he was elected for an extra term to ensure continuity following the unexpected resignation of the then Chairman through ill-health.
- 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 earnings/prices indices, with an annual review effective from April, setting rent within HCA guidelines (whose maximum was RPI + ½% + £2 a week). This policy was reviewed again by a sub-committee in 2014 (including tenants). Basic rent levels in 2014 were only increased by the September 2013 CPI figure (2.7%) plus £2 a week and on average remain well below the Formula Rent. Whereas, service charges are set to meet actual costs and therefore in 2014, as in previous years, some of the charges decreased slightly rather than increased.

Financial review

There have been several major achievements this year, particularly regarding the remodelling of St George's Court. The first phase was successfully completed on time and under budget in July, including the expenditure of the balance of the grant from the Government's 'Libor' Fund. More on this is covered in the Value for Money section. The first phase of this project included changing 9 bedsits into 6 double-bedroom flats (to meet demand), hence the reduction in the total number managed by 3 since 2013 (Note 2), but without a reduction in rent receivable.

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

BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

The key financial results for the year are set out on pages 8 & 9. The 2014 surplus has, as planned, been reduced by the capital expended at St George's Court. Indeed, it is only because the Association has benefitted from spending the remaining £108,828 of the Libor Grant on this project (see note 3 and above) that there is a surplus and not a deficit. Nevertheless, the underlying operating surplus remains consistent at just under £270K and the Association continues to perform well and on track in accordance with its business plan. The significant decrease in cash shown on page 10 is simply the combination of the expenditure above plus the transfer of £250K from the deposit account into investments (see Note 10 and change in distribution of assets on page 9 without a decrease in overall balance).

Risk and stress testing

Risks are monitored regularly by the Committee of Management including stress testing, and any mitigation required is instigated. For a small sheltered housing association without mortgages and not seeking to expand, there are few existential short-term risks not covered by insurance. The next most significant risk is assessed to be the loss of CESSAC's contract with Greenwich Hospital, because the efficiency of shared overheads would be lost and unit costs would therefore increase. This is mitigated by continually demonstrating that an excellent service is being provided. Other than that, the longer terms threats could be unsustainable price inflation/wage growth or a drying up of the existing pool of applicants. The former would not be unique to the organisation (and would affect it later) and the latter could be addressed by extending the eligibility criteria.

Fixed assets

The significant changes in fixed assets during the year are explained in notes 9 and 10 to the financial statements.

Value for money (VfM) summary

Overall, the Directors consider the Association meets the VfM standard. Their full assessment is provided on its website at: <http://www.cessaha.co.uk/annual-reports>, a summary of which is below:

The Association has a strategic approach to VfM led by the Directors and championed by one its members as the Chairman of the Housing Committee, which leads on the detailed implementation and oversight. The Association is not looking to expand so the only purpose of it making a financial return is in order to deliver the social benefit it seeks. All schemes are provided with a Scheme Manager plus out-of-hours Careline service, controlled access to the building, lifts, communal laundry facilities, charging & storage facilities for mobility scooters, parking spaces and a salon for visiting hairdressers/others.

Return on Assets: The Return On Capital Employed (ROCE) expressed as the underlying surplus/Net Book Value shows a return averaging 23% over the last 3 years. The fostering of an ex-Service community in each scheme is a key aim both for tenant well-being and to attract new applicants. A proportion of the Scheme Manager's time is therefore funded to facilitate the organisation of social activities for tenants. Each scheme is provided with at least one communal lounge and guestroom, kitchen facilities and a garden.

Absolute & Comparative Costs: On average, the Association's rents are about 15% below the Government's 'Formula' Rent for each flat. A variety of metrics are used to gauge and compare performance, particularly a benchmarking club covering the south and east of England. The Association compares favourably in the Key Performance Indicators agreed by the club and shown in the assessment.

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

BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

VfM Gains: The Association redeemed its exorbitantly high interest and very long term fixed-rate mortgages and benefits from a charitably low-interest loan from its sister charity, CESSAC, at only 2.5% interest for the first 5 years. In 2013, the Association achieved a grant of £160,000 from the Armed Forces Covenant team towards the remodelling St Georges' Court, its third project of the current Development Plan. The first phase started in October 2013 and completed on schedule in July 2014. Thanks to the grant from the Armed Forces Covenant team, the second phase was brought forward 6 months and at lower cost. Again, independent chartered surveyors were used to evaluate the different quotes and make their own recommendations as to the best value for money. Many other improvements have been made in other schemes whether remodelled or not, including new kitchens, double glazing, upgraded fire alarm systems, hearing induction loops and the replacement of baths by showers. The decrease in employment costs (Note 20) is partially explained by the decision to reduce the proportion of the CEO's costs to the Association (Note 19). The remainder is due to the completion of the apprenticeships.

Service delivery is a key part of delivering VfM and the Association was accredited by the Centre for Housing and Support (CHS) in 2012 which lasts until 2015, when it will be replaced by another form of independent assessment. The Association carries out an annual tenant satisfaction survey, is a member of Procurement for Housing and brought its health and safety and fire risk assessments management function 'in house' in 2011.

Improvement Plans For 2015 include:

- Age-appropriate IT facilities will be installed in the communal areas of each scheme and training offered for those yet to enter the digital age.
- The work on Dementia awareness will be developed.
- A trial of the provision of additional support to tenants in need will be undertaken to inform a decision on the permanent inclusion of this as a service offered.
- At Dhekelia Court, cooker hoods will be installed in all flats.
- Plans will be made for the replacement of the minibus(es) - particularly valuable for those schemes further from shops and facilities.
- Although it has been agreed it would not be cost effective to renew accreditation with CHS, an independent external assessment will be commissioned instead.
- It is hoped to expand co-operation with local sheltered housing associations to share costs and gain additional income through the Housing & Services Manager providing them H&S services.

The Association continues its robust approach to ensuring the best possible use is made of the resources. This includes continued improvement of assets via a long term refurbishment programme and investing in the provision of excellent services to tenants. This will be achieved by listening to what tenants and other stakeholders say to ensure the Association continues to do the right things at the right cost.

The aim is to deliver by ensuring the following are taken 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.

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

BOARD REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

The ways in which we do this are:

- Reviewing regularly all the maintenance specifications and contracts to make sure the best prices are obtained;
- Monitoring the charges made to ensure they reflect the prices agreed and the work undertaken;
- 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.

Reserves

The policy is reviewed annually, without significant change since 2013. The Revenue Reserve and the operating surpluses predicted for the next 2 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 2014:

Rear Admiral A R Rymer	(Appointed 12 February 2014)
Air Commodore M J Allisstone CBE	
Commander S F Carter Royal Navy	
Commander P T Mayfield Royal Navy	
Commander A E Mizen Royal Navy	(Appointed 13 March 2014)
Air Commodore D J Hamilton-Rump	
Mr B H Parsons FCA	

Directors' interests

All directors 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 2014

Board members' responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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

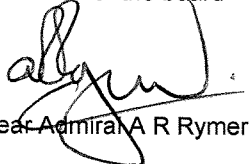
The Board acknowledges its ultimate responsibility for establishing and maintaining the whole system of internal control that is appropriate to the various business environments in which it operates and for reviewing effectiveness of those controls.

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



Rear Admiral A R Rymer

6 May 2015

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

We have audited the financial statements of Church of England Soldiers', Sailors' and Airmen's Housing Association Limited on pages 8 to 26 for the year ended 31 December 2014. 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 21 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; 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 Limited

6 May 2015

**Chartered Accountants
Statutory Auditor**

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

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

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover	3	1,162,190	1,088,436
Operating costs		(1,108,238)	(803,128)
Other operating income		3,547	1,630
Operating surplus	4	57,499	286,938
Investment income	5	7,980	12,636
Amounts written off investments	6	(998)	-
Interest payable and similar charges	7	(11,748)	(12,438)
Surplus on ordinary activities before taxation		52,733	287,136
Tax on surplus on ordinary activities	8	-	-
Surplus on ordinary activities after taxation	16	52,733	287,136

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

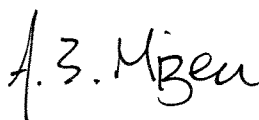
BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	£	2014 £	2013 £
Fixed assets				
Housing properties - depreciated cost		4,703,706	4,657,340	
Less Social Housing Grant		(3,472,336)	(3,526,682)	
Net book value of housing properties	9		1,231,370	1,130,658
Other fixed assets	9		13,704	15,717
			<u>1,245,074</u>	<u>1,146,375</u>
Investments	10		249,440	-
Total fixed assets			<u>1,494,514</u>	<u>1,146,375</u>
Current assets				
Debtors	11	15,487	15,037	
Cash at bank and in hand		890,948	1,279,906	
		<u>906,435</u>	<u>1,294,943</u>	
Creditors: amounts falling due within one year	12	(108,882)	(172,916)	
Net current assets			<u>797,553</u>	<u>1,122,027</u>
Total assets less current liabilities			<u>2,292,067</u>	<u>2,268,402</u>
Creditors: amounts falling due after more than one year	13		407,882	436,958
Capital and reserves				
Called up share capital	15		15	7
Other reserves	16		1,184,236	1,055,028
Revenue reserves	16		699,934	776,409
			<u>2,292,067</u>	<u>2,268,402</u>

The financial statements were approved and authorised for issue by the Board on 6 May 2015 and signed on its behalf by:



Commander P C Keefe Royal Navy
Secretary



Commander A E Mizen Royal Navy
Board member



Mr B H Parsons FCA
Board member

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	£	2014 £	£	2013 £
Net cash inflow from operating activities		50,782		450,576
Returns on investments and servicing of finance				
Interest received	8,905		8,131	
Interest paid	(11,633)		(12,325)	
Dividends received	439		-	
Net cash outflow for returns on investments and servicing of finance		(2,289)		(4,194)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(158,655)		(104,257)	
Payments to acquire investments	(250,438)		-	
Net cash outflow for capital expenditure		(409,093)		(104,257)
Net cash (outflow)/inflow before management of liquid resources and financing		(360,600)		342,125
Financing				
Issue of ordinary share capital	9		1	
Repayment of other long term loans	(28,367)		(27,675)	
Net cash outflow from financing		(28,358)		(27,674)
(Decrease)/increase in cash in the year		<u>(388,958)</u>		<u>314,451</u>

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

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

1	Reconciliation of operating profit to net cash inflow from operating activities		2014	2013
			£	£
	Operating profit		57,499	286,938
	Depreciation of tangible assets		53,464	43,878
	Loss on disposal of tangible assets		6,492	3,393
	Forfeited shares		(1)	-
	Increase in debtors		(1,814)	(1,075)
	(Decrease)/Increase in creditors within one year		(64,858)	117,442
	Net cash inflow from operating activities		50,782	450,576

2	Analysis of net funds	1 January 2014	Cash flow	Other non-cash changes	31 December 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,279,906	(388,958)	-	890,948
	Debt:				
	Debts falling due within one year	(28,367)	28,367	(29,076)	(29,076)
	Debts falling due after one year	(436,958)	-	29,076	(407,882)
		(465,325)	28,367	-	(436,958)
	Net funds	814,581	(360,591)	-	453,990

3	Reconciliation of net cash flow to movement in net funds	2014	2013
		£	£
	(Decrease)/increase in cash in the year	(388,958)	314,451
	Cash outflow from decrease in debt	28,367	27,675
	Movement in net funds in the year	(360,591)	342,126
	Opening net funds	814,581	472,455
	Closing net funds	453,990	814,581

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 Co-operative and Community Benefit Societies Act 2014.

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 2014

1 Accounting policies (continued)

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Pensions

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

1.7 Deferred taxation

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

1.8 Value Added Tax (VAT)

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

1.9 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

	2014	2013
	Units	Units
Flats for rent (including resident managers)	197	200
	<u>197</u>	<u>200</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

3	Income and expenditure from lettings	2014 Total £	2013 Total £
	Income		
	Rent receivable net of identifiable service charges	691,095	662,829
	Service income	360,013	371,815
	Net rental income	1,051,108	1,034,644
	Major repairs grants	108,828	51,172
	Turnover from social housing lettings	1,159,936	1,085,816
	Other income		
	Guest room income	2,254	2,620
		1,162,190	1,088,436
	Operating costs on social housing lettings	(1,108,238)	(803,128)
	Operating surplus from social housing activities	53,952	285,308
	Operating surplus from social housing activities is stated after charging:		
	Bad and doubtful debts	569	-
	Void losses	11,559	8,988
4	Operating surplus	2014 £	2013 £
	Operating surplus is stated after charging:		
	Depreciation of tangible assets	53,464	43,878
	Loss on disposal of tangible assets	6,492	3,393
	Auditors' remuneration (excluding VAT)	3,550	3,550
	Remuneration of auditors for non external audit work (excluding VAT)	1,753	1,648
5	Investment income	2014 £	2013 £
	Income from listed investments	439	-
	Bank interest	7,541	12,636
		7,980	12,636

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

6	Amounts written off investments	2014	2013
		£	£
	Amounts written off fixed asset investments:		
	- temporary diminution in value	998	-
		<u> </u>	<u> </u>
7	Interest payable	2014	2013
		£	£
	On loans repayable after 5 years	11,748	12,438
		<u> </u>	<u> </u>
8	Taxation		
	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 2014

9 Tangible fixed assets

Housing land and buildings	Held for letting £	Total £
Cost		
At 1 January 2014	5,143,526	5,143,526
Additions	158,655	158,655
Disposals	(69,700)	(69,700)
At 31 December 2014	5,232,481	5,232,481
Social Housing Grant		
At 1 January 2014	3,526,682	3,526,682
On disposals	(54,346)	(54,346)
At 31 December 2014	3,472,336	3,472,336
Depreciation		
At 1 January 2014	486,186	486,186
On disposals	(8,862)	(8,862)
Charge for the year	51,451	51,451
At 31 December 2014	528,775	528,775
Net book value		
At 31 December 2014	1,231,370	1,231,370
At 31 December 2013	1,130,658	1,130,658
Net book values are comprised of:		
Freehold		1,231,370

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 £200,310 (2013 - £145,964) 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 2014

9 Tangible fixed assets (continued)

Other fixed assets

	Office equipment £	Furniture & fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2014	5,778	144,592	45,137	195,507
At 31 December 2014	5,778	144,592	45,137	195,507
Depreciation				
At 1 January 2014	5,778	128,875	45,137	179,790
Charge for the year	-	2,013	-	2,013
At 31 December 2014	5,778	130,888	45,137	181,803
Net book value				
At 31 December 2014	-	13,704	-	13,704
At 31 December 2013	-	15,717	-	15,717

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

10 Fixed asset investments

	Listed investments £
Cost	
At 1 January 2014	-
Additions	250,438
	<hr/>
At 31 December 2014	250,438
	<hr/>
Provisions for diminution in value	
At 1 January 2014	-
Charge for the year	998
	<hr/>
At 31 December 2014	998
	<hr/>
Net book value	
At 31 December 2014	249,440
	<hr/> <hr/>
	 Market value £
At 31 December 2014	249,440
	<hr/> <hr/>

11 Debtors	2014 £	2013 £
Arrears of rent and service charges	713	1,469
Prepayments and accrued income	14,774	13,568
	<hr/>	<hr/>
	15,487	15,037
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12 Creditors: amounts falling due within one year	2014 £	2013 £
Loans	29,076	28,367
Rent and service charges in advance	104	214
Grant in advance - LIBOR fund	-	108,828
Accruals and deferred income	79,702	35,507
	<u>108,882</u>	<u>172,916</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 continued throughout 2014, all income has now been released to the income and expenditure account.

13 Creditors: amounts falling due after more than one year	2014 £	2013 £
Other loans	<u>407,882</u>	<u>436,958</u>
Analysis of loans		
Not wholly repayable within five years by instalments:		
Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC)	<u>436,958</u>	<u>465,325</u>
	436,958	465,325
Included in current liabilities	<u>(29,076)</u>	<u>(28,367)</u>
	<u>407,882</u>	<u>436,958</u>
Instalments not due within five years	<u>284,853</u>	<u>316,219</u>
Loan maturity analysis		
In more than one year but not more than two years	29,083	29,076
In more than two years but not more than five years	93,955	91,663
In more than five years	<u>284,853</u>	<u>316,219</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 2014

14 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 7.9%. Member contributions varied between 9.5% 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 £263,430. 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 2014

14 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 2013. 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 £2,718,000,000. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151,000,000, equivalent to a past service funding level of 70%.

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 88 GMP - 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 2014

14 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 next formal valuation of the Scheme began in 2014 and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.

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.

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).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

14 Pension costs

(continued)

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 2013. As of this date the estimated employer debt for CESSA Housing Association Limited was £1,036,074.

15 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
Ordinary shares brought forward	7	6
Shares forfeited	(1)	-
Shares issued	9	1
	<hr/>	<hr/>
15 Ordinary shares of £1 each	15	7
	<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 2014

16 Statement of movements on reserves

	Other reserves (see below) £	Income and expenditure account £
Balance at 1 January 2014	1,055,028	776,409
Retained surplus for the year	-	52,733
Movement during the year	129,208	(129,208)
Balance at 31 December 2014	1,184,236	699,934
Other reserves		
Reserve financing capital expenditure		
Balance at 1 January 2014	667,269	
Transfer (to)/from income and expenditure account	127,143	
Balance at 31 December 2014	794,412	
Operating cost reserve		
Balance at 1 January 2014	260,000	
Balance at 31 December 2014	260,000	
Renewals reserve		
Balance at 1 January 2014	68,206	
Transfer (to)/from income and expenditure account	2,065	
Balance at 31 December 2014	70,271	
Social and welfare reserve		
Balance at 1 January 2014	59,553	
Balance at 31 December 2014	59,553	

17 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 14 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 2014

18 Capital commitments	2014	2013
	£	£
At 31 December 2014 the association had capital commitments as follows:		
Contracted for but not provided in the financial statements	505,045	193,264
	<u> </u>	<u> </u>

The above expenditure will be funded by cash reserves.

19 Directors' emoluments	2014	2013
	£	£
Emoluments for qualifying services	15,655	22,796
	<u> </u>	<u> </u>

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 2014 (2013 - nil).

After deducting recharges of £41,380 (2013 - £32,751) 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 Officer, the only Senior Executive, were £15,655 (2013 -£22,796). The Chief Executive Officer 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 £1,027 (2013 - £876) from the association during the year after apportionment with CESSAC who contributed a further £1,540 (2013 - £584). 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 2014

20 Employees

Number of employees

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

	2014 Number	2013 Number
Average full time equivalents	12	12

Employment costs

	2014 £	2013 £
Wages and salaries	270,979	295,189
Social security costs	15,444	19,964
Other pension costs	45,651	34,936
	332,074	350,089

21 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.