



Contents

53	Statement of Board's responsibilities
55	Independent auditor's report
57	Consolidated Statement of Total Comprehensive Income
58	Association Statement of Total Comprehensive Income
59	Consolidated Statement of Financial Position
60	Association Statement of Financial Position
61	Consolidated Statement of Changes in Reserves
61	Association Statement of Changes in Reserves
62	Consolidated Statement of Cash Flows
63	Notes to the Financial Statements

Statement of Board's responsibilities

in respect of the Board's Report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its 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 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Each of the persons who are a director at the date of approval of this report confirms that:

- a) so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- b) each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Internal Control Assurance Statement

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

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, but not absolute, 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 information and the safeguarding of the Association's assets and interests.

Under the governance structure, the Board has set up a specialist Audit and Risk Committee ("ARC"). All audit and risk matters are managed by ARC on behalf of the Board. In meeting its responsibilities to the Board, ARC has adopted a risk-based approach to internal controls which is 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.

This process adopted by ARC in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the significant risks. This process is co-ordinated through a regular reporting framework to ARC and the Board. The Group's Executive Board regularly considers reports on significant risks

facing the Group and the Chief Executive Officer, and members of Executive Board are responsible for reporting to ARC and the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

The Group continues to maintain a significant development programme. Monitoring and reporting of development activity has been enhanced to ensure the Group remains alert to the potential dangers posed by a much more volatile and difficult external environment.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including treasury strategy and new investment projects. The Board has adopted the National Housing Federation (NHF) Excellence in Governance Code. The Association is fully compliant with the NHF Code. The Association has adopted policies with regard to the quality, integrity and ethics of its employees, with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. The Board has adopted the NHF Code of Conduct 2012 which ensures high standards of business conduct.

The Group has three other specialist committees in addition to the Audit and Risk Committee; the Remuneration Committee, which deals with personnel, terms and conditions and matters of governance; the Development Committee, which reviews the viability of development schemes for the provision of new homes; and the Treasury Committee which approves and administers the Treasury Policy and ensures the most efficient and effective funding for the Group.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The internal control framework and the risk management process are subject to regular review by the Business Assurance Team who are responsible for providing independent assurance to the Board via ARC. An annual internal audit programme appropriate to the size and complexity of the Association is set each year and ARC considers internal audit reports at each of its meetings during the year.

The Board has received an annual report from the Association's Executive Board and ARC confirming they have reviewed the effectiveness of the system of internal control throughout this year and have taken account of any changes needed to maintain the effectiveness of the risk management and control processes.

This Strategic Report, Board Report and the Statement of Board's Responsibilities were approved on 19 July 2018 and signed on its behalf by:

BY ORDER OF THE BOARD

Claire McKenna
Company Secretary

Independent auditor's report

To the members of Sovereign Housing Association Limited

Opinion

We have audited the financial statements of Sovereign Housing Association ("the association") for the year ended 31 March 2018 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2018 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report, the Board's Report and the Statement on Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 53, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Consolidated Statement of Total Comprehensive Income For year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	378,198	371,581
Cost of sales	3	(43,054)	(42,151)
Operating expenditure	3	(197,821)	(193,519)
Operating surplus	3	137,323	135,911
Gain on disposal of property, plant and equipment	7	18,387	11,998
Share of operating surplus in joint ventures		149	281
Interest receivable and similar income	8	1,227	1,164
Interest and financing costs	9	(58,121)	(64,264)
Movement in fair value of financial instruments		2,499	(637)
Movement in fair value of investment properties	10	2,481	4,831
Decrease in valuation of property, plant and equipment		-	(200)
Surplus before tax		103,945	89,084
Taxation	11	232	(50)
Non-controlling interest		(147)	(292)
Surplus for the year		104,030	88,742
Actuarial gain/(loss) in respect of pension schemes	30	2,774	(6,180)
Changes in fair value of hedged financial instruments	31	10,998	4,489
Total comprehensive income for the year		117,802	87,051

All the amounts above relate to continuing activities.

The financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by:

Gordon Holdcroft
Chair

Mark Washer
Chief Executive

Claire McKenna
Company Secretary

Association Statement of Total Comprehensive Income For year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	349,818	349,446
Cost of sales	3	(31,104)	(34,511)
Operating expenditure	3	(188,643)	(183,540)
Operating surplus	3	130,071	131,395
Gift aid		9,987	5,523
Gain on disposal of property, plant and equipment	7	18,380	11,788
Interest receivable	8	2,691	2,806
Interest and financing costs	9	(59,525)	(65,228)
Movement in fair value of financial instruments		2,499	(637)
Movement in fair value of investment properties	10	1,077	4,016
Decrease in value of property, plant and equipment		-	(200)
Surplus before tax		105,180	89,463
Taxation	11	-	-
Surplus for the year		105,180	89,463
Actuarial gain/(loss) in respect of pension schemes	30	2,774	(6,180)
Changes in fair value of hedged financial instruments	31	10,998	4,489
Total comprehensive income for the year		118,952	87,772

All the amounts above relate to continuing activities.

The financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by:

Gordon Holdcroft	Mark Washer	Claire McKenna
Chair	Chief Executive	Company Secretary

Consolidated Statement of Financial Position As at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment - housing	14	3,480,904	3,376,717
Property, plant and equipment - other	15	39,372	39,488
Investment properties	17	130,481	124,180
Investments - HomeBuy loans receivable	18	12,036	12,810
Investments in Joint Ventures		-	(1,193)
Financial assets	19	6,176	8,596
		3,668,969	3,560,598
Current assets			
Stocks	21	52,566	45,445
Debtors	22	39,877	35,924
Financial assets (short term)	23	3,011	31,176
Cash and cash equivalents	24	23,202	13,987
		118,656	126,532
Creditors: amounts falling due within one year	25	(130,098)	(98,643)
Net current (liabilities)/assets		(11,442)	27,889
Creditors: amounts falling due after more than one year	26	(1,971,871)	(2,023,270)
Provisions for liabilities			
- Pension	30	(31,360)	(34,147)
- Other	28	(7,457)	(1,888)
Total net assets		1,646,839	1,529,182
Capital and reserves			
Called up share capital	32	-	-
Income and expenditure reserve		1,315,433	1,203,388
Revaluation reserve		364,563	369,804
Hedging reserve		(33,304)	(44,302)
Non-controlling interest		147	292
Total reserves		1,646,839	1,529,182

The financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by:

Gordon Holdcroft	Mark Washer	Claire McKenna
Chair	Chief Executive	Company Secretary

Association Statement of Financial Position As at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment - housing	14	3,483,014	3,381,345
Property, plant and equipment - other	15	38,339	38,373
Investment properties	17	94,306	89,410
Investments - HomeBuy loans receivable	18	12,036	12,810
Financial assets	19	12,470	14,890
		3,640,165	3,536,828
Current assets			
Stocks	21	33,345	31,793
Debtors	22	90,015	78,717
Financial assets (short term)	23	3,011	31,176
Cash and cash equivalents	24	16,172	11,049
		142,543	152,735
Creditors: amounts falling due within one year	25	(122,706)	(95,987)
Net current assets		19,837	56,748
Creditors: amounts falling due after more than one year	26	(1,959,813)	(2,013,685)
Provisions for liabilities			
- Pension	30	(31,360)	(34,147)
- Other	28	(5,952)	(1,819)
Total net assets		1,662,877	1,543,925
Capital and reserves			
Called up share capital	32	-	-
Income and expenditure reserve		1,119,894	1,006,699
Revaluation reserve		576,287	581,528
Hedging reserve		(33,304)	(44,302)
Total reserves		1,662,877	1,543,925

The financial statements were approved by the Board on 19 July 2018 and were signed on its behalf by:

Gordon Holdcroft	Mark Washer	Claire McKenna
Chair	Chief Executive	Company Secretary

Consolidated Statement of Changes in Reserves For year ended 31 March 2018

	Income and expenditure reserve £'000	Revaluation reserve £'000	Hedging reserve £'000	2018 Total excluding non- controlling interest £'000	Non controlling interest £'000	2018 Total including non- controlling interest £'000	2017 Total including non- controlling interest £'000
As at 1 April 2017	1,203,388	369,804	(44,302)	1,528,890	292	1,529,182	1,442,131
Surplus from statement of comprehensive income	104,030	-	-	104,030	147	104,177	89,034
Transfer from revaluation reserve to income and expenditure reserve							
- on sale of revalued properties	717	(717)	-	-	-	-	-
- depreciation of revalued properties	4,524	(4,524)	-	-	-	-	-
Actuarial gain/(loss) in respect of pension schemes	2,774	-	-	2,774	-	2,774	(6,180)
Movement in fair value of financial derivatives	-	-	10,998	10,998	-	10,998	4,489
Distribution of non-controlling interest reserves in the year	-	-	-	-	(292)	(292)	(292)
As at 31 March 2018	1,315,433	364,563	(33,304)	1,646,692	147	1,646,839	1,529,182

Association Statement of Changes in Reserves For year ended 31 March 2018

	Income and expenditure reserve £'000	Revaluation reserve £'000	Hedging reserve £'000	2018 Total excluding non- controlling interest £'000	Non controlling interest £'000	2018 Total including non- controlling interest £'000	2017 Total including non- controlling interest £'000
As at 1 April 2017	1,006,699	581,528	(44,302)	1,543,925	-	1,543,925	1,456,153
Surplus from statement of comprehensive income	105,180	-	-	105,180	-	105,180	89,463
Transfer from revaluation reserve to income and expenditure reserve							
- on sale of revalued properties	717	(717)	-	-	-	-	-
- depreciation of revalued properties	4,524	(4,524)	-	-	-	-	-
Actuarial gain/(loss) in respect of pension schemes	2,774	-	-	2,774	-	2,774	(6,180)
Movement in fair value of financial derivatives	-	-	10,998	10,998	-	10,998	4,489
As at 31 March 2018	1,119,894	576,287	(33,304)	1,662,877	-	1,662,877	1,543,925

Consolidated Statement of Cash Flows For year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities (see below)		168,037	164,325
Cash flow from investing activities			
Investment in Jointly Controlled Entity		(4,388)	(6,864)
Purchase of tangible fixed assets		(175,595)	(216,883)
Proceeds from sale of tangible fixed assets		57,331	70,328
Grants received		4,499	2,681
Interest received		1,052	1,166
Net cash from investing activities		(117,101)	(149,572)
Cash flow from financing activities			
Interest paid		(61,084)	(67,170)
Movement in collateral deposits		2,403	(895)
New secured loans		106,836	149,016
Repayment of borrowings		(118,059)	(114,423)
Capital element of finance lease rental payments		18	24
Withdrawal from deposits		28,165	(362)
Net cash used in financing activities		(41,721)	(33,810)
Net change in cash and cash equivalents		9,215	(19,057)
Cash and cash equivalents at beginning of the year	24	13,987	33,044
Cash and cash equivalents at the end of the year	24	23,202	13,987
Cash flow from operating activities			
Surplus for the year		104,030	88,742
Adjustments for non-cash items			
Depreciation of tangible fixed assets		39,253	37,133
Increase in stock		(7,121)	(9,857)
Decrease in trade and other debtors		435	1,641
Increase in trade and other creditors		(6,446)	(4,261)
Increase in provisions		5,569	885
Pension costs less contributions payable		(867)	(550)
Carrying amount of tangible fixed asset disposals		35,953	61,870
Impairment		-	500
Fair value movements in Investment Properties	17	(2,481)	(4,831)
Share of operating surplus in associate		149	281
Adjustments for investing or financing activities			
Proceeds from the sale of tangible fixed assets		(57,331)	(70,328)
Interest payable	9	58,121	64,264
Interest receivable	8	(1,227)	(1,164)
Cash from operations		168,037	164,325
Corporation tax		-	-
Net cash generated from operating activities		168,037	164,325

Notes to the Financial Statements

For the year ended 31 March 2018

1. Legal Status

Sovereign Housing Association ("The Association") is a not for profit registered provider of social housing and holds charitable status under the Co-operative and Community Benefit Societies Act 2014. The Association is a public benefit entity, an entity whose primary purpose is to provide services for the general public, community or social benefit and where any equity is provided with a view to supporting this objective rather than with a view to providing financial return.

On 11th November 2016 Sovereign Housing Association Limited was formed following the merger of Sovereign Housing Association Limited and Spectrum Housing Group Limited.

2. Principal Accounting Policies

The financial statements have been prepared in accordance Financial Reporting Standard 102 ("FRS 102"), the applicable financial reporting standard in the United Kingdom and Republic of Ireland and the Statement of Recommended Practice 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

(a) Basis of Accounting

The consolidated financial statements are prepared on the historical cost basis of accounting except for the modification to a fair value basis for certain financial instruments and fixed asset investments, and by the annual valuation of freehold commercial properties as specified in the accounting policies below.

The financial statements are presented in pounds sterling and are rounded to the nearest £1,000.

(b) Exemptions for Qualifying Entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to, the use of exemptions by the Association's shareholders.

The Association has taken advantage of the exemption to prepare a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, presented in these financial statements, includes the Association's cash flows.

(c) Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Management Board. The Board believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. As a consequence the Board has a reasonable expectation that the Group has adequate resources to continue to adopt the going concern basis in preparing the annual financial statements.

(d) Consolidation

The consolidated financial statements include the parent association and all its subsidiaries. Intra-group surpluses and deficits are eliminated on consolidation.

Investments in subsidiaries are accounted for using the equity method in the Group financial statements. Investments in subsidiaries and jointly controlled entities are carried at cost less impairment in the individual financial statements.

Uniform accounting policies have been used throughout the Group.

(e) Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable from local authorities and from Homes England, the proceeds of first tranche sales of shared ownership properties and open market property sales, and income from building maintenance and refurbishment services. These exclude VAT (where applicable). Revenue for the main income streams is recognised as follows:

- Rental income is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of any voids.
- Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised.
- Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.
- Income from provision of buildings maintenance and refurbishment services to third parties is recognised as work is completed.

Intra-group income and expenditure is included in turnover and operating costs on an arm's length basis in the financial statements of the Association but is eliminated in producing the Group consolidated financial statements.

(f) Cyclical Repairs and Maintenance

The actual costs of cyclical repairs and maintenance are charged to the Statement of Total Comprehensive Income as incurred.

(g) Major Repairs

The capitalisation of major repairs will follow the methodology of Component Accounting as laid out in the SORP 2014. Under this methodology it is recognised that a housing property will always comprise of several components with substantially different economic lives. Each major component will be accounted for separately and depreciated over its individual economic life.

(h) Provision for Major Repairs

Provision for major repairs is made only where a contractual liability exists. The Board believe that this accounting policy represents commercial practice and complies with guidance given by the National Housing Federation in its Statement of Recommended Practice.

(i) Pension Costs

The Association participates in six multi-employer defined benefit pension schemes contracted out of the State scheme, all of which are now closed to new members. The Association also participates in defined contribution money purchase pension schemes, the details of which are given in note 30.

Pension Trust Social Housing Pensions Scheme ('SHPS' Scheme')

The SHPS scheme is a multi employer defined benefit pension scheme, however, sufficient information is not available to identify the Group/Associations share of scheme assets and liabilities. The Group/Association has entered into an agreement with the multi-employer plan that determines how the entity will fund a deficit and has recognised a liability based on discounted future cashflows using an actuarial valuation tool. The expected cost of pensions is charged to the Statement of Total Comprehensive Income so as to spread the cost of pensions over the service lives of the employees. Pension costs are assessed triennially for each scheme in accordance with the advice of an independent qualified actuary.

Other Defined Benefit Pension Schemes

Where the Association can identify their share of scheme assets and liabilities these are included in the Statement of Financial Position and the expected cost of pensions is charged to the Statement of Total Comprehensive Income so as to spread the cost of pensions over the service lives of employees. For the defined benefit pension schemes, the liability for the benefits earned by employees in return for service rendered in the current and prior periods is determined using the projected unit credit method as determined annually by qualified actuaries. This is based upon a number of assumptions, the determination of which is significant to the valuation.

The following are charged to operating profit:

- the net finance expense measured using the discount rate applied in measuring the defined benefit obligation;
- the increase in the present value of pension scheme liabilities arising from employee service in the current period (current service cost);
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest (past service cost);
- gains and losses arising on settlements/curtailments; and
- scheme administration costs.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

Defined Contribution Schemes

The Association also participates in defined contribution money purchase pension schemes which are open to new members, the details of which are given in note 30. In respect of the defined contribution schemes, employers' contributions are charged to the Statement of Total Comprehensive Income in the year incurred.

(j) Value Added Tax

The group undertakings are registered for Value Added Tax (VAT), but a large proportion of their income, including rents, is exempt for VAT purposes and the majority of its expenditure is subject to VAT which cannot be reclaimed. Expenditure is therefore shown inclusive of VAT. The Group recovers VAT where appropriate and this is credited against expenditure within the income statement.

(k) Joint Ventures

Joint ventures are contractual arrangements where two or more parties enter into an economic activity that they jointly control. The group has the following type of joint venture:

- Jointly controlled entities - these are joint ventures that involve the establishment of a corporation, partnership or other entity in which each partner has an interest. They are accounted for using the equity method.

These investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(l) Leased Assets**Operating leased assets**

Rentals paid under operating leases are charged to the Statement of Total Comprehensive Income on an accruals basis.

Finance leased assets

Leasing agreements that transfer to the Group substantially all of the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Total Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the lease term.

(m) Sale of Housing Properties

Sales of housing properties are taken into account on the completion date. Where houses are sold, the surplus or deficit in the Statement of Total Comprehensive Income is calculated by comparing sale proceeds and the carrying amount.

Sales of properties originally transferred from local authorities and sold under the right to buy legislation, and sales of shared ownership properties other than the initial tranche, are classified in the Statement of Total Comprehensive Income as sales of fixed assets - housing properties.

Due to the nature of the transfer agreements with local authorities it is not possible to identify precisely the historical cost of individual transferred properties. Management's estimate of cost is used to determine the historical cost surplus on sales of these properties.

(n) First Tranche Shared Ownership Sales

Shared ownership sales are treated under the SORP 2014 as follows:

- Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are shown in current assets and the sale proceeds shown in turnover;
- The remaining element of the shared ownership property is accounted for as a fixed asset and any subsequent sale is treated as a disposal or part disposal of a fixed asset;
- Any surplus on first tranche shared ownership sales on mixed tenure developments is restricted to the net present value of future cash flows on shared ownership properties.

(o) Depreciation

Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Housing properties	120 years
Kitchens	23-25 years
Bathrooms	25-30 years
Windows	25-30 years
Heating systems	30-40 years
Roofs	56-60 years

These components have been determined as the areas where most expenditure on replacement will occur during the lifetime of a property and which are integral to its continued effective use. The useful economic lives are based on historical data on the life span of previous installations of each type of component.

Depreciation is charged on a straight line basis over the expected useful economic lives of the other fixed assets at the following annual rates:

Office furniture and equipment	10-30% on cost
Computer equipment	20-50% on cost
Motor vehicles	over life of hire purchase contract or 20% per annum straight line
Leasehold premises	over life of lease
Leasehold Office Improvements	10% per annum straight line

Freehold offices	1% on cost
Scheme furniture and equipment	10-33.3% per annum straight line
Scheme Lifts	3.33-6.67% per annum straight line

(p) Property, Plant and Equipment

Property, plant and equipment is stated at cost or deemed cost valuation (as part of the FRS102 transition, taken at 1st April 2014) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use and borrowing costs capitalised.

The valuation as at 31 March 2014 on which the carrying values of housing properties was taken for deemed cost valuations was based on Existing Use Value - Social Housing. The aggregate surplus or deficit on revaluation is the difference between the valuation and the costs of the property less depreciation. The aggregate surplus or deficit on revaluation is included in a revaluation reserve.

Housing properties developed on behalf of other housing associations are stated at cost less Social Housing Grant if applicable and are treated as current assets rather than fixed assets in line with the SORP 2014.

Housing properties in the course of construction, excluding the proportion of costs related to first tranche sales of shared ownership property are stated at cost and are transferred into housing properties when completed. Development costs include the cost of acquiring land and buildings, the valuation of contracted works to date, and acquisition and development costs including directly attributable internal costs. Interest payable is capitalised by applying the Association's cost of borrowing to expenditure during the construction of the property up to the date of practical completion.

Recoverability of properties constructed for outright sale is measured by reviewing the current net present value against the original appraisal. Allocation of costs for mixed tenure developments are based on a metre square calculation of the entire scheme for the different tenure types.

Purchases from other Housing Associations are included at fair value, measured as the purchase price. Social housing grant relating to the properties purchased is disclosed as a contingent liability within property plant and equipment.

Office buildings are held at original cost less accumulated depreciation and accumulated impairment losses.

Commercial buildings are held at valuation based on the rental yield in the relevant geographical location of each property. Valuations are carried out annually.

Plant and equipment is capitalised at cost and depreciated in line with the depreciation policy of the Association.

(q) Impairment

At each reporting date fixed assets that are held at cost are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised as operating expenditure.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Indicators considered which may give rise to impairment include government policy announcements, significant declines in future cash flows and physical evidence of obsolescence or damage.

Impairment reviews are carried out for all properties where the scheme appraisal has worsened since approved by the Board in accordance with the SORP 2014.

(r) Investment Properties

The Group holds properties for the purpose of investment gains with a view to a future sale rather than pure rental returns and categorises these as investment properties. Investment properties are initially recognised at cost and subsequently held at valuation. Valuations are performed annually by a professional valuer and are at open market value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period in which they arise. Depreciation is not provided in respect of freehold and long leasehold investment properties. Investment properties held on a short term lease are reported at fair value and depreciated over the remaining life of the lease.

(s) HomeBuy Loans and Grants

HomeBuy loans to individuals are considered to be a public benefit entity concessionary loan and are accounted for in accordance with paragraphs PBE34.90 to PBE34.97 of FRS 102. Initial recognition is at the amount paid to the purchaser. Subsequent value is the loan value adjusted for any accrued interest less any impairment loss. If a HomeBuy loan is considered irrecoverable, an impairment loss is recognised in the Income Statement.

HomeBuy grants are accounted for as grant received in advance and are recognised as deferred income in the Statement of Financial Position until the point that the related HomeBuy loan is redeemed.

Other housing grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income statement in the same period as the expenditure to which they relate. Other housing grants are repayable under certain circumstances, primarily following the sale of a property, but will normally be restricted to net proceeds of sale.

(t) Inventories

Inventories of consumables are stated at the lower of cost and net realisable value.

(u) Current assets

A proportion of shared ownership properties costs relevant to the planned first tranche sale proportion are held as current assets. These are shown split between completed properties unsold at 31 March and those still under construction for clarity.

Properties developed for outright sale which have not been sold at 31 March are shown as current assets.

(v) Social Housing Grant

Social Housing Grant is accounted for using the accrual method of accounting for government grant and any new grant received or receivable is included in creditors. The grant is amortised in line with the depreciation policy for Housing Properties. If Social Housing Grant is received in advance of related expenditure on housing construction, it is shown as a current liability. Social Housing Grant on sold property is usually transferred to the Recycled Capital Grant Fund to be used to finance future development. Social Housing Grant is repayable under certain circumstances.

(w) Disposal Proceeds Fund

The purpose of the fund is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If unused within a three year period it may be repayable to Homes England with interest. The development programme of the Group is such that the Disposal Proceeds Fund is likely to be used before it becomes repayable. Changes made by the Housing and Planning Act 2016 and associated regulations that come into force on 6 April 2017 no longer require the Group to account for net proceeds of 'Right to Acquire' sales which occur after this date.

(x) Provisions

Provisions are included when there is a probable, but uncertain, economic obligation. Any provisions included are expected to cover the future liability and are recognised within the Statement of Financial Position.

Holiday pay accrual

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

(y) Contingencies

Contingent liabilities are not accounted for in the financial statements, including those relating to grants transferred with stock swap properties. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the

probability of an outflow of resources is remote. Contingent assets are not accounted for in the financial statements. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(z) Mortgages

Mortgage loans are advanced by banks or building societies under the terms of individual mortgage deeds in respect of each property or housing scheme. Loan finance issue costs are off-set against the gross proceeds of the loan. Loans are accounted for in the statement of financial position at transaction price and subsequently at amortised cost using the effective interest method.

(aa) Revaluation Reserve

The revaluation reserve represents the difference between the deemed cost of housing properties (see 2(p)) and the historic cost, net of depreciation.

(bb) Basic Financial Instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument. Rental arrears payment plans are determined as financing arrangements and are discounted at a rate management believes is appropriate for the level of risk involved in recovery of tenant arrears.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and instant access deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(cc) Other Financial Instruments

Financial instruments not considered to be basic financial instruments are defined as other financial instruments. Other financial instruments are recognised initially at fair value. Subsequent to initial recognition these are measured at fair value with changes recognised in the surplus or deficit for the year except hedging instruments in a designated hedging relationship shall be recognised as set out below:

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the surplus or deficit for the year. However, where

derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The Association includes derivatives in its financial statements which qualify for cash flow hedge accounting.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the surplus or deficit in the year.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to the surplus or deficit in the year. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

(dd) Taxation

Corporation tax is provided on the taxable profits of each member of the Group at the current rate. Deferred taxation would normally be recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, when transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. However, deferred tax assets and liabilities are not recognised as the Group has a policy of eliminating taxable profits by making Gift Aid payments and therefore no asset or liability is likely to arise.

3. Turnover, Operating Costs and Operating Surplus by Class of Business

Group	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	2018 Operating surplus £'000	2017 Operating surplus £'000
Income and expenditure from social housing lettings						
Housing accommodation		273,659	-	(159,292)	114,367	111,750
Shared ownership accommodation		17,821	-	(8,866)	8,955	7,892
	4	291,480	-	(168,158)	123,322	119,642
Other social housing income and expenditure						
External income generated from development services		252	-	(238)	14	10
Community investment		-	-	(1,314)	(1,314)	(1,360)
Other		3,898	-	(2,115)	1,783	2,167
		4,150	-	(3,667)	483	817
Development for sale						
Shared ownership first tranche sales		38,168	(31,104)	(186)	6,878	7,249
		38,168	(31,104)	(186)	6,878	7,249
Total social housing activities		333,798	(31,104)	(172,011)	130,683	127,708
Non-social housing activities						
Market rented properties		6,668	-	(7,453)	(785)	3,122
Commercial properties		2,796	-	(427)	2,369	2,267
Outright sales		16,114	(11,950)	-	4,164	1,413
Keyworker		8,733	-	(8,182)	551	337
Other		10,089	-	(9,748)	341	1,064
		44,400	(11,950)	(25,810)	6,640	8,203
Total		378,198	(43,054)	(197,821)	137,323	135,911

3. Turnover, Operating Costs and Operating Surplus by Class of Business (continued)

Association	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	2018 Operating surplus £'000	2017 Operating surplus £'000
Income and expenditure from social housing lettings						
Housing accommodation		273,502	-	(160,410)	113,092	111,048
Shared ownership accommodation		17,821	-	(9,008)	8,813	7,903
	4	291,323	-	(169,418)	121,905	118,951
Other social housing income and expenditure						
Income from Group undertakings		2,135	-	-	2,135	2,043
External income generated from development services		252	-	(238)	14	10
Community investment		-	-	(1,314)	(1,314)	(1,360)
Other		1,799	-	(1,438)	361	1,217
		4,186	-	(2,990)	1,196	1,910
Development for sale						
Shared ownership first tranche sales		38,168	(31,104)	(186)	6,878	7,249
		38,168	(31,104)	(186)	6,878	7,249
Total social housing activities		333,677	(31,104)	(172,594)	129,979	128,110
Non-social housing activities						
Market rented properties		4,570	-	(7,136)	(2,566)	1,493
Commercial properties		2,796	-	(427)	2,369	2,267
Keyworker		8,733	-	(8,181)	552	337
Other		42	-	(305)	(263)	(812)
		16,141	-	(16,049)	92	3,285
Total		349,818	(31,104)	(188,643)	130,071	131,395

4. Income and Expenditure from Social Housing Lettings

Group	Note	General needs £'000	Shared ownership £'000	Supported housing £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of identifiable service charges		257,066	15,470	2,438	274,974	272,546
Service charges		10,487	2,351	463	13,301	12,768
Supporting people block subsidy		117	-	497	614	669
Amortised government grant		2,591	-	-	2,591	2,605
Turnover from social housing lettings		270,261	17,821	3,398	291,480	288,588
Management		(41,835)	(5,838)	(973)	(48,646)	(51,498)
Service costs		(10,997)	(1,535)	(256)	(12,788)	(13,413)
Routine maintenance		(34,598)	-	(706)	(35,304)	(35,489)
Planned maintenance		(9,896)	-	(202)	(10,098)	(10,630)
Major repairs expenditure		(23,051)	-	(470)	(23,521)	(21,137)
Bad debts		(666)	(93)	(16)	(775)	(1,367)
Depreciation of housing property		(33,794)	-	(690)	(34,484)	(35,132)
Other costs		(1,119)	-	(23)	(1,142)	(280)
One off exceptional costs	6	-	(1,400)	-	(1,400)	-
Operating costs on social housing activities		(155,956)	(8,866)	(3,336)	(168,158)	(168,946)
Operating surplus on social housing activities		114,305	8,955	62	123,322	119,642
Rent receivable is net of void losses of		3,206	50	200	3,456	3,783

4. Income and Expenditure from Social Housing Lettings (continued)

Association	Note	General needs £'000	Shared ownership £'000	Supported housing £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of identifiable service charges		256,909	15,470	2,438	274,817	272,526
Service charges		10,487	2,351	463	13,301	12,768
Supporting people block subsidy		117	-	497	614	669
Amortised government grant		2,591	-	-	2,591	2,605
Turnover from social housing lettings		270,104	17,821	3,398	291,323	288,568
Management		(42,872)	(5,982)	(997)	(49,851)	(51,397)
Service costs		(10,983)	(1,533)	(255)	(12,771)	(13,413)
Routine maintenance		(34,668)	-	(708)	(35,376)	(36,262)
Planned maintenance		(9,896)	-	(202)	(10,098)	(10,630)
Major repairs expenditure		(23,051)	-	(470)	(23,521)	(21,137)
Bad debts		(668)	(93)	(16)	(777)	(1,371)
Depreciation of housing property		(33,794)	-	(690)	(34,484)	(35,132)
Other costs		(1,117)	-	(23)	(1,140)	(275)
One off exceptional costs	6	-	(1,400)	-	(1,400)	-
Operating costs on social housing activities		(157,049)	(9,008)	(3,361)	(169,418)	(169,617)
Operating surplus on social housing activities		113,055	8,813	37	121,905	118,951
Rent receivable is net of void losses of		3,206	50	200	3,456	3,783

5. Number of Units in Management

	Group		Association	
	2018 Units	2017 Units	2018 Units	2017 Units
Owned and managed				
General needs	41,600	41,236	41,600	41,236
Shared ownership	5,669	5,406	5,669	5,406
Housing for older people	3,069	3,133	3,069	3,133
Supported	877	877	877	877
Other social	101	106	101	106
Non-social: keyworker	1,730	1,730	1,730	1,730
Non-social: other	774	767	639	632
Managed not owned				
Owned by an external company: social	124	124	124	124
Owned by an external company: non-social	2,579	2,597	2,579	2,597
Total in management	56,523	55,976	56,388	55,841
Owned and not managed				
Managed by third parties	250	250	240	240
Freehold/Long leasehold (incl. Right to Buy leasehold)	9	9	9	9
Total owned not managed	259	259	249	249
Total owned or managed	56,782	56,235	56,637	56,090

6. Operating Surplus

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Operating surplus is stated after charging				
Depreciation				
- housing properties	34,732	33,449	34,732	33,445
- other owned assets	4,517	3,684	4,136	3,291
Impairment				
- housing properties	-	500	-	500
Rentals payable				
- plant, vehicles and machinery	3,280	2,229	2,105	1,540
- other assets	262	270	262	238
- operating leases	36	164	36	164
Auditor's remuneration				
- in their capacity as auditors	165	174	121	130
- in respect of tax advice	31	61	12	22
- in respect of other work	13	46	13	36
Exceptional costs				
- remedial and corrective property costs: social	1,400	-	1,400	-
- remedial and corrective property costs: non-social	2,733	-	2,733	-

7. Income from Sale of Housing Properties and Other Fixed Assets

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Proceeds from house sales	54,100	72,052	54,093	72,051
Cost of sales	(37,501)	(66,024)	(37,501)	(66,233)
Depreciation	2,193	6,061	2,193	6,061
Selling expenses	(405)	(91)	(405)	(91)
Net surplus	18,387	11,998	18,380	11,788

8. Interest Receivable and Similar Income

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
On investments	98	89	98	89
On deposits	1,146	1,092	413	601
In respect of intra-group loans	-	-	2,197	2,133
Interest receivable	1,244	1,181	2,708	2,823
Amortisation of investment to nominal value	(17)	(17)	(17)	(17)
Interest receivable and similar income	1,227	1,164	2,691	2,806

9. Interest and Financing Costs

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
In respect of loans				
Loans and bank overdrafts	(53,306)	(53,000)	(31,956)	(31,654)
On hedging arrangements	(8,604)	(8,373)	(8,604)	(8,373)
Loan and hedge break costs	-	(5,268)	-	(5,268)
In respect of other Group undertakings	-	-	(21,936)	(21,936)
Recycled capital grant and disposal proceeds funds	(89)	(70)	(89)	(70)
Finance leases	(255)	(253)	(255)	(253)
Interest payable	(62,254)	(66,964)	(62,840)	(67,554)
Less interest capitalised	5,315	4,252	4,497	3,878
	(56,939)	(62,712)	(58,343)	(63,676)
Unwind discounted cash flows	(328)	(601)	(328)	(601)
Other finance costs on pensions	(854)	(951)	(854)	(951)
Interest and financing costs	(58,121)	(64,264)	(59,525)	(65,228)

Interest is capitalised on active development schemes at 4% (2017: 4% - 5%).

As the sole purpose of the hedging arrangements is to reduce interest payable on the bank loans, hedging interest receivable is shown offsetting interest payable.

10. Movement in Fair Value of Investment Properties

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fair value increase in investment properties	17	2,481	4,831	1,077	4,016
Fair value adjustments		2,481	4,831	1,077	4,016

11. Taxation

Sovereign Housing Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

11. Taxation (continued)

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK Corporation tax				
Current tax on income for the period	-	360	-	-
Prior year released	(232)	(315)	-	-
Adjustment in respect of prior periods	-	31	-	-
Total current tax	(232)	76	-	-
Tax (credit)/charge on profit on ordinary activities	(232)	76	-	-

Factors affecting the tax charge for the current period:

The current tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%).

The differences are explained below:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current tax reconciliation				
Profit on ordinary activities before tax	103,945	89,084	105,180	89,463
Profit chargeable to corporation tax	103,945	89,084	105,180	89,463
Current tax at 19% (2017: 20%)	19,750	17,817	19,984	17,893
Effects of:				
Profits not within the scope of taxation due to charitable status	(19,750)	(17,457)	(19,984)	(17,893)
Other timing differences	(232)	(315)	-	-
Prior year adjustment	-	31	-	-
Adjustment to tax charge in respect of previous periods	-	(26)	-	-
Total current tax charge for the year	(232)	50	-	-
Current tax (see above)	(232)	76	-	-
Deferred tax	-	(26)	-	-
Tax (credit)/charge for the year	(232)	50	-	-

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Group's future current tax charge accordingly.

12. Board Members and Executive Officers

The Board Members are defined as the members of the Parent Management Board.

In accordance with the 'Excellence in Governance Code for Members of the NHF', set out below is the level of payments made to the Chair and individual board members of the Sovereign Board and its Committees.

Annual rates of pay:

Position held as at 31 March	2018 £	2017 £
Chair	29,000	29,000
Vice chair	18,000	18,000
Board member	13,000	13,000
Independent committee member	5,000	5,000
Committee chair (in addition to Board member salary)	5,000	5,000
Non-Executive Board Members		
Steve Abbott (resigned 11 November 2016)	-	9,804
Barbara Anderson	18,000	15,727
Ian Baker (resigned 15 June 2016)	-	1,500
Lee Bambridge	18,000	15,375
Jennifer Dykes	13,000	10,583
Christine Higgins (resigned 10 November 2016)	-	8,819
Gordon Holdcroft (appointed as Chair on 20 July 2017)	25,683	15,731
Katherine Innes Ker (resigned 30 June 2017)	7,250	7,250
Mark Judge (resigned 11 November 2016)	-	13,359
Stuart Laird	18,000	14,612
Simon Lindley	18,000	16,250
Verity Murrice (resigned 30 September 2016)	-	5,500
Richard Organ (resigned 11 November 2016)	-	11,333
Claire O'Shaughnessy (appointed 15 June 2016)	13,000	8,406
Susan Rastrick (resigned 11 November 2016)	-	5,833
John Rees-Evans (resigned 30 September 2016)	-	5,701
Francesca Rhodes (resigned 7 October 2016)	-	7,000
Maureen Robinson (resigned 11 November 2016)	-	4,083
Howard Rose (resigned 11 November 2016)	-	4,083
Elizabeth Sabey (resigned 14 September 2017)	6,500	9,500
John Simpson (resigned 11 November 2016)	-	16,301
Robert Taylor (resigned 10 November 2016)	-	7,369
Christine Turner	18,000	15,083
Angela Williams (appointed 14 September 2017)	14,688	-
Total	170,121	229,202

Elizabeth Sabey is a leaseholder and Jenny Dykes is a resident, their lease and tenancy are on normal commercial terms and they cannot use their position on the Board to their advantage.

Ann Santry, Richard Hill and Mark Hattersley were appointed as members of the Board on 11 November 2016 and are remunerated in their capacities as members of the Executive Board.

Total expenses paid to Board members that are subject to income tax were £7,332 (2017: £5,231).

12. Board Members and Executive Officers (continued)

In addition, the following remuneration was paid to subsidiary board members during the year:

	2018 £	2017 £
Roger Avon (resigned 23 September 2016)	-	2,917
Robert Barton (resigned 31 October 2016)	-	2,333
Lin Cousins (resigned 23 September 2016)	-	2,333
Roger Davis (resigned 31 October 2016)	-	2,333
Peter Dean (resigned 31 October 2016)	-	2,333
John Earley (resigned 31 October 2016)	-	2,917
Christopher Garland (resigned 31 October 2016)	-	2,917
Martin Lawton	5,000	4,417
Robert Morrissey (resigned 31 October 2016)	-	2,333
Niall Morrow (resigned 31 October 2016)	-	2,333
Claire O'Shaughnessy (resigned 11 November 2016)	-	847
David Singleton (resigned 31 October 2016)	-	1,167
David Todd	5,000	4,417
Damian Ward (resigned 31 October 2016)	-	1,167
Glen Welsh (resigned 31 October 2016)	-	1,167
John Templeton (resigned 31 October 2016)	-	2,333
Total	10,000	38,264

Executive Directors' Emoluments

	2018 £'000	2017 £'000
Emoluments (including pension contributions and benefits in kind)	1,501	2,166
Total pension contributions to Executive Officers	79	95
Emoluments (excluding pension contributions and payments in lieu of pension contributions) including amounts paid to:		
The highest paid director	261	230

Pension contributions to the highest paid director were £nil (2017: £nil).

Mark Hattersley, Richard Hill and Ann Santry were appointed members of the Board on 11 November 2016. Previously Ann Santry was a co-optee of Sovereign Housing Association Limited and Richard Hill was a full Board member of Spectrum Housing Group Limited. Richard Hill resigned from Sovereign on 31 August 2017.

12. Board Members and Executive Officers (continued)

The level of emoluments to members of the Executive Board during 2017/18 is shown below:

	Taxable Pay £	Pension contributions £	In lieu of pension £	Benefits in kind £	PRP 2017/18 £	Accrued PRP 2017/18 £	Total 2018 £	Total 2017 £
Members of the Board:								
Ann Santry ¹	223,780	-	26,854	323	-	37,520	288,477	254,214
Mark Hattersley	175,000	-	21,000	323	-	28,321	224,644	207,547
Richard Hill ²	76,125	7,613	-	-	-	-	83,738	213,762
Members of the Executive Board:								
Keith Astill ³	43,476	-	5,217	-	-	6,600	55,293	-
Steve Barford	148,333	35,600	-	323	-	25,070	209,326	184,816
Heather Bowman	150,000	27,000	-	323	-	24,156	201,479	185,421
Paul Bryan ⁴	40,000	2,800	-	-	-	-	42,800	236,910
Ben Denton ⁵	87,803	5,268	-	-	-	11,875	104,946	-
Wendy Drinkwater ⁶	-	-	-	-	-	-	-	170,540
Martin Lucas ⁷	-	-	-	-	-	-	-	216,657
Phil Stephens ⁸	121,875	-	14,625	-	-	19,416	155,916	185,608
Rob Webber ⁹	-	-	-	-	-	-	-	184,325
Anne Wildeman ¹⁰	128,962	990	-	-	4,000	-	133,952	126,337
Total	1,195,354	79,271	67,696	1,292	4,000	152,958	1,500,571	2,166,137

¹ Resigned 18 June 2018

² Resigned 31 August 2017

³ Appointed 1 December 2017

⁴ Redundant with effect from 31 July 2017 - aggregate payment of redundancy and notice amounted to £101,538 and included in 2016-17.

⁵ Appointed 8 October 2017, resigned 7 July 2018

⁶ Redundant with effect from 11 November 2016 - aggregate payment of redundancy and notice amounted to £66,494.

⁷ Redundant with effect from 11 November 2016 - aggregate payment of redundancy and notice amounted to £138,156.

⁸ Resigned 31 October 2017

⁹ Redundant with effect from 11 November 2016 - aggregate payment of redundancy and notice amounted to £108,961.

¹⁰ Resigned 31 December 2017 - aggregate compensation for loss of office amounted to £30,000.

Ann Santry, Heather Bowman, Phil Stephens and Anne Wildeman are deferred members of the Social Housing Pension Scheme (SHPS) which is one of the defined benefit schemes that the Association participates in (see note 30). Of the current Executive Board, Steve Barford and Heather Bowman are ordinary members of the SHPS defined contributions scheme. Funding is by employer and employee contributions and no enhanced or special terms apply to the Chief Executive and any other Director. The Chief Executive does not have any other individual pension arrangement (including a personal pension) to which the Association or any of its subsidiaries make a contribution.

We benchmark Executive Board's pay, with salaries in the medium quartile of executive pay among comparative housing associations. However in order to recruit and retain the best talent, our Remuneration committee has developed a performance related pay structure. Executive Board members can earn up to a maximum 15% of their basic pay by achieving the four performance measures of underlying margins, resident satisfaction levels, employee engagement and personal performance.

No pension contributions are accruing to former executives (2017: £nil).

13. Employee information

Highest paid staff

Sovereign has the following numbers of staff, including Executive Board members with remuneration of £60,000 or more, shown in bands of £10,000.

	2018 Number	2017 Number
Salary £1,000s		
>60 to 70	56	45
>70 to 80	22	26
>80 to 90	12	10
>90 to 100	9	8
>100 to 110	4	4
>110 to 120	3	5
>120 to 130	4	3
>130 to 140	2	1
>140 to 150	1	-
>150 to 160	1	1
>160 to 170	1	-
>170 to 180	-	1
>180 to 190	-	4
>200 to 210	2	1
>210 to 220	-	2
>220 to 230	1	-
>230 to 240	-	1
>250 to 260	-	1
>280 to 290	1	-

13. Employee information (continued)

The number of persons (including executives) employed during the year has been calculated using the average of the total employees for each month:

	Group		Association	
	2018 FTE	2017 FTE	2018 FTE	2017 FTE
Expressed in full time equivalents (FTE)				
Central administrative services	425	455	414	440
Developing or selling housing stock	84	80	84	80
Managing or maintaining stock	1,272	1,284	1,250	1,243
Staff providing support	45	43	45	43
	1,826	1,862	1,793	1,806
Staff costs (for the above persons)	£'000	£'000	£'000	£'000
Wages and salaries	60,790	60,208	59,911	58,782
Social security costs	5,822	5,892	5,735	5,756
Pension costs	3,816	3,709	3,795	3,675
	70,428	69,809	69,441	68,213

14. Property, Plant and Equipment - Housing

Group	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	2018 Total £'000	2017 Total £'000
Deemed cost						
At 1 April	3,201,774	100,136	340,530	43,818	3,686,258	3,544,080
Reclassification of schemes	16	(2,666)	(16)	2,666	-	-
Transfer to investment properties	(1,914)	(2,145)	-	-	(4,059)	(2,738)
Schemes completed	41,568	(41,568)	28,293	(28,293)	-	-
Additions - new units	32,379	83,560	8,682	50,327	174,948	206,511
Additions - improvements to stock	13,386	-	-	-	13,386	13,168
Transfer to current assets	(2,553)	(715)	(1,805)	(6,626)	(11,699)	(8,492)
Impairment	-	-	-	-	-	(500)
Disposals	(30,996)	-	(8,528)	-	(39,524)	(65,771)
At 31 March	3,253,660	136,602	367,156	61,892	3,819,310	3,686,258
Depreciation						
At 1 April	297,619	-	11,922	-	309,541	285,849
Charge for year	32,753	-	1,983	-	34,736	33,449
Transfer to current assets	-	-	-	-	-	(1,135)
On disposals	(5,465)	-	(406)	-	(5,871)	(8,622)
At 31 March	324,907	-	13,499	-	338,406	309,541
Net book value at 31 March 2018	2,928,753	136,602	353,657	61,892	3,480,904	
Net book value at 31 March 2017	2,904,155	100,136	328,608	43,818	3,376,717	

Additions to housing properties under construction during the year include capitalised interest of £5,315k (2017: £4,252k) and major repairs capitalised of £13,386k (2017: £13,168k). Interest is capitalised on development schemes as set out in the accounting policy in note 2(l).

In the current year the Association entered into transactions with other social landlords. During the year, housing properties with a net book value of £26.9m were sold to other housing associations.

In 2016/17 housing properties with a fair value of £55,240k were purchased from other Housing Associations, funded by £11,060k in cash and £44,180k in property sales. This value included original government grant funding of £25,959k which has an obligation to be recycled in accordance with the original grant funding terms and conditions. The Association is responsible for the recycling of grant in the event of the housing properties being disposed.

Following purchases of housing properties from other Housing Associations in previous years, the Association has a contingent liability of £152.4m (2017: £152.4m) for social housing grant which requires recycling into new social housing development on sale of the properties originally purchased.

There are no indicators of impairment in the current year and a detailed impairment review has not been required. In 2016/17 a detailed impairment review was carried out following the government policy announcement of decreases in rent for social housing tenancies, resulting in a write down in the value of housing properties by £500k.

In addition to the capital improvements to housing properties shown above, £35,304k (2017: £36,859k) was spent on routine maintenance.

14. Property, Plant and Equipment - Housing (continued)

Group	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	2018 Total £'000	2017 Total £'000
Cost or valuation at 31 March is represented by						
Gross cost	2,887,237	136,602	342,918	61,892	3,428,649	3,294,902
Historic cost depreciation	(295,366)	-	(12,060)	-	(307,426)	(283,108)
	2,591,871	136,602	330,858	61,892	3,121,223	3,011,794
Revaluation reserve	336,882	-	22,799	-	359,681	364,923
	2,928,753	136,602	353,657	61,892	3,480,904	3,376,717
Existing use value and properties under construction	2,908,077	136,602	344,532	61,892	3,451,103	3,204,639
Association						
Deemed cost						
At 1 April	3,218,359	91,954	340,530	40,026	3,690,869	3,560,645
Reclassification of schemes	16	(2,666)	(16)	2,666	-	-
Transfer to investment properties	(1,914)	(2,145)	-	-	(4,059)	(9,055)
Schemes completed	41,568	(41,568)	28,293	(28,293)	-	-
Additions - new units	35,798	79,003	8,682	48,943	172,426	200,876
Additions - improvements to stock	13,386	-	-	-	13,386	13,166
Transfer to current assets	(2,553)	(715)	(1,805)	(6,626)	(11,699)	(8,492)
Impairment	-	-	-	-	-	(500)
Disposals	(30,996)	-	(8,528)	-	(39,524)	(65,771)
At 31 March	3,273,664	123,863	367,156	56,716	3,821,399	3,690,869
Depreciation						
At 1 April	297,602	-	11,922	-	309,524	285,836
Charge for year	32,749	-	1,983	-	34,732	33,445
Transfer to current assets	-	-	-	-	-	(1,135)
On disposals	(5,465)	-	(406)	-	(5,871)	(8,622)
At 31 March	324,886	-	13,499	-	338,385	309,524
Net book value at 31 March 2018	2,948,778	123,863	353,657	56,716	3,483,014	
Net book value at 31 March 2017	2,920,757	91,954	328,608	40,026	3,381,345	

14. Property, Plant and Equipment - Housing (continued)

Association	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	2018 Total £'000	2017 Total £'000
Cost or valuation at 31 March is represented by						
Gross cost	2,712,889	123,863	342,918	56,716	3,236,386	3,105,140
Historic cost depreciation	(312,717)	-	(12,060)	-	(324,777)	(300,442)
	2,400,172	123,863	330,858	56,716	2,911,609	2,804,698
Revaluation reserve	548,606	-	22,799	-	571,405	576,647
	2,948,778	123,863	353,657	56,716	3,483,014	3,381,345
Existing use value and properties under construction	2,907,798	123,863	344,532	56,716	3,432,909	3,192,299

15. Property, Plant and Equipment - Other

Group	Freehold offices and shops £'000	Leasehold offices £'000	Office furniture and equipment £'000	Scheme plant, furniture and equipment £'000	Computer hardware and software £'000	Plant £'000	Motor vehicles £'000	2018 Total £'000	2017 Total £'000
Cost or valuation									
At 1 April	27,163	2,202	8,764	10,654	27,644	333	1,794	78,554	79,848
Reclassification	-	-	(498)	-	498	-	-	-	-
Additions	-	11	68	262	4,035	63	294	4,733	2,596
Disposals	(125)	(148)	(188)	(48)	(220)	(4)	(380)	(1,113)	(3,890)
At 31 March	27,038	2,065	8,146	10,868	31,957	392	1,708	82,174	78,554
Depreciation									
At 1 April	5,067	420	7,056	7,216	17,748	239	1,320	39,066	38,996
Reclassification	-	-	(354)	-	354	-	-	-	-
Charge for year	365	60	562	321	2,957	36	216	4,517	3,684
On disposals	(40)	(78)	(89)	(9)	(215)	(4)	(346)	(781)	(3,614)
At 31 March	5,392	402	7,175	7,528	20,844	271	1,190	42,802	39,066
Net book value as 31 March 2018	21,646	1,663	971	3,340	11,113	121	518	39,372	
Net book value as 31 March 2017	22,096	1,782	1,708	3,438	9,896	94	474	39,488	

Freehold shops are held at valuation and have a historic cost of £2,514k.
All other fixed assets included in this note are held at historic cost.

15. Property, Plant and Equipment - Other (continued)

Group	Freehold offices and shops £'000	Leasehold offices £'000	Office furniture and equipment £'000	Scheme plant, furniture and equipment £'000	Computer hardware and software £'000	Plant £'000	Motor vehicles £'000	2018 Total £'000	2017 Total £'000
Cost or valuation at 31 March is represented by									
Net book value of assets held at valuation	7,395	-	-	-	-	-	-	7,395	7,395
Net book value of assets held at historic cost	14,251	1,663	971	3,340	11,113	121	518	31,977	32,093
	21,646	1,663	971	3,340	11,113	121	518	39,372	39,488

Association	Freehold offices and shops £'000	Leasehold offices £'000	Office furniture and equipment £'000	Scheme plant, furniture and equipment £'000	Computer hardware and software £'000	Motor vehicles £'000	2018 Total £'000	2017 Total £'000
Cost or valuation								
At 1 April	27,163	2,202	7,467	10,654	27,622	647	75,755	77,207
Additions	-	11	53	262	4,028	50	4,404	2,420
Disposals	(125)	(148)	(180)	(48)	(220)	(77)	(798)	(3,872)
At 31 March	27,038	2,065	7,340	10,868	31,430	620	79,361	75,755
Depreciation								
At 1 April	5,067	420	6,341	7,216	17,731	607	37,382	37,693
Charge for year	365	60	458	321	2,898	34	4,136	3,291
On disposals	(40)	(78)	(83)	(9)	(215)	(71)	(496)	(3,602)
At 31 March	5,392	402	6,716	7,528	20,414	570	41,022	37,382
Net book value as 31 March 2018	21,646	1,663	624	3,340	11,016	50	38,339	
Net book value as 31 March 2017	22,096	1,782	1,126	3,438	9,891	40	38,373	

Freehold offices and shops are held at valuation and have a historic cost of £2,514k. All other fixed assets included in this note are held at historic cost.

15. Property, Plant and Equipment - Other (continued)

Association	Freehold offices and shops £'000	Leasehold offices £'000	Office furniture and equipment £'000	Scheme plant, furniture and equipment £'000	Computer hardware and software £'000	Motor vehicles £'000	2018 Total £'000	2017 Total £'000
Cost or valuation at 31 March is represented by								
Net book value of assets held at valuation	7,395	-	-	-	-	-	7,395	7,395
Net book value of assets held at historic cost	14,251	1,663	624	3,340	11,016	50	30,944	30,978
	21,646	1,663	624	3,340	11,016	50	38,339	38,373

16. Property, Plant and Equipment - Valuation Methodology

Commercial properties were last professionally valued by Jones Lang LaSalle on the basis of open market value as at 31 March 2016 and in accordance with the RICS Appraisal and Valuation Standards. The valuer is neither an employee nor an officer of the Association. No valuation was undertaken as at 31 March 2018 as management believe the market to be stable with no material fluctuations in the intervening period.

17. Investment Properties

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cost or valuation net of social housing grant				
At 1 April	124,180	121,070	89,410	80,798
Transfer from housing properties	4,059	-	4,059	-
Additions to new units	1,729	2,724	1,728	9,041
Disposals	(1,968)	(4,445)	(1,968)	(4,445)
Fair value increase	2,481	4,831	1,077	4,016
At 31 March	130,481	124,180	94,306	89,410
Historic cost net book value	117,762	112,839	85,945	82,175

Investment properties, which primarily comprise market rent properties, were professionally valued by Jones Lang LaSalle at open market value as at 31 March 2018. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Standards.

18. Investments - HomeBuy Loans Receivable

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	12,810	13,391	12,810	13,391
Loans repaid	(774)	(581)	(774)	(581)
At 31 March	12,036	12,810	12,036	12,810

Loans are made to individuals to purchase a property. There is no interest charge on the loan but it is repayable on sale of the property with an appreciation of property value being included in the repayment.

19. Financial Assets

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cost or valuation				
Bonds	1,269	1,277	1,269	1,277
Debt service reserve	3,688	2,748	3,688	2,748
Collateral deposits	1,219	4,571	1,219	4,571
Shares in subsidiary undertakings	-	-	6,294	6,294
	6,176	8,596	12,470	14,890

Collateral deposits represent amounts held by counterparties as a result of margin calls on out-of-the-money interest rate swaps. Cash collateral deposit levels will increase or decrease in line with interest rate market movements, or if the Association places or withdraws alternative non-cash collateral. In any collateral deposit, requirements reduce towards zero by the maturity date of the underlying financial instruments giving rise to the collateral obligation.

20. Group Company information

Sovereign Living Limited is a non-charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is a subsidiary by virtue of the ability of Sovereign Housing Association Limited to control the composition of its Board or Committees.

Sovereign Advances Limited, Sovereign Housing Capital plc, Sovereign Westinghouse Development Limited, Florin Homes Limited, Doubloon Developments Limited, Pennyfarthing Building Services Limited, Spectrum Property Care Limited, Spectrum Premier Homes Limited and Spectrum Property Ventures Limited are all non-charitable subsidiaries of Sovereign Housing Association Limited incorporated under the Companies Act.

Sovereign Housing Association Limited also owns a non-charitable company Points West Housing Limited which is dormant and its net assets are not material. Points West Housing Limited is not consolidated within the Group's financial statements.

Sovereign Housing D1 Limited, Sovereign Property Care Limited and Sovereign Maintenance Limited are dormant and net assets are zero in each.

During the year Sovereign Housing Association Limited and Sovereign Living Limited had the following intra-group transactions with non-regulated members of the Group:

	2018 £'000	2017 £'000
Payment of interest at commercial rates	21,935	22,505
Purchase of Design and Build Services at cost plus commercial mark-up	119,719	102,762
Repairs and maintenance service at costs agreed during competitive tender	26,642	27,071
Management charges on a cost sharing basis (income)	(2,099)	(1,942)
	166,197	150,396

21. Stock

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Properties in construction	36,267	31,819	17,589	19,941
Completed properties	15,319	8,050	15,319	8,050
Consumable stock	980	5,576	437	3,802
	52,566	45,445	33,345	31,793

During the year, as part of the agreement in setting up a joint venture with Kier Group, properties in construction to the value of £3,482k were transferred out of the Group to the joint venture.

22. Debtors

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rental income due				
Gross	8,460	10,316	8,434	10,300
Discounted repayment schedules	(655)	(655)	(655)	(655)
Less bad debt provision	(5,871)	(5,602)	(5,858)	(5,588)
Net rental income due	1,934	4,059	1,921	4,057
Social housing grant receivable	3,692	1,076	3,692	883
Prepayments and accrued income	8,687	8,428	6,385	7,491
Due from other Group undertakings	-	-	74,744	63,645
Other loans	20,038	18,351	401	695
Other debtors	5,526	4,010	2,872	1,946
	39,877	35,924	90,015	78,717
Amounts falling due within one year:	36,126	17,236	25,940	40,165
Amounts falling due after more than one year:	3,751	18,688	64,075	38,552
	39,877	35,924	90,015	78,717

Loans from the Association to other members of the Group are charged at a market rate of interest of 3.75% to 6% (2017: 3.75% to 6%).

Long term debtors consist of prepayments and amounts due from joint ventures. Amounts are due back dependent on sales and operating performance within the joint venture. No repayment is due within the next 12 months.

23. Current Asset Investments

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Short term deposits	3,011	31,176	3,011	31,176
	3,011	31,176	3,011	31,176

Short term investments comprise sterling notice deposits.

24. Cash and cash equivalents

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	23,202	13,987	16,172	11,049
	23,202	13,987	16,172	11,049

25. Creditors - Amounts falling due within 1 year

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Housing loans	27	41,381	25,191	40,850	25,191
Trade creditors		11,421	13,758	11,742	11,335
Social housing grant in advance		1,531	895	1,531	895
Social housing grant - properties		4,981	5,431	4,981	5,431
Due to Group undertakings		-	-	10,701	16,519
Other loans		324	1,191	324	1,191
Taxation and social security		1,003	1,618	977	1,024
SHPS pension deficit contributions	30	3,799	3,654	3,799	3,654
Recycled capital grant fund	29	12,779	5,620	12,779	5,620
Disposals proceeds fund	29	642	29	642	29
Rents received in advance		6,585	8,058	6,550	8,030
Other creditors		8,242	2,168	7,442	3,336
Accruals and deferred income		37,410	31,030	20,388	13,732
		130,098	98,643	122,706	95,987

26. Creditors - Amounts falling due after more than 1 year

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Housing loans	27	1,551,353	1,582,797	1,118,605	1,148,961
Finance lease		2,460	2,449	2,460	2,449
Derivative financial instruments		83,435	96,932	83,435	96,932
SHPS pension deficit contributions	30	19,171	22,954	19,171	22,954
Social housing grant - properties		288,779	288,756	288,492	288,469
Deferred income		12,036	10,883	12,036	10,865
Recycled capital grant fund	29	10,050	16,677	10,050	16,677
Disposal proceeds fund	29	27	637	27	637
Other		4,560	1,185	537	741
Long term Group loans	27	-	-	425,000	425,000
		1,971,871	2,023,270	1,959,813	2,013,685

26. Creditors - Amounts falling due after more than 1 year (continued)

The repayment profile of the Group's gross undiscounted long term bond liabilities including interest is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
March 2018					
Amounts due to 2009 bond investors	-	9,986	39,942	339,761	389,689
Amounts due to 2012 bond investors	-	11,920	47,680	494,360	553,960
Amounts due to Affordable Housing Finance	-	2,748	10,993	151,341	165,082
	-	24,654	98,615	985,462	1,108,731
	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
March 2017					
Amounts due to 2009 bond investors	-	9,984	39,935	349,716	399,635
Amounts due to 2012 bond investors	-	11,920	47,680	506,280	565,880
Amounts due to Affordable Housing Finance	-	2,748	10,993	154,090	167,831
	-	24,652	98,608	1,010,086	1,133,346

27. Housing Loans

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Repayable other than by instalments in more than five years	26	520,000	520,000	520,000	520,000
Repayable by instalments within one year	25	41,381	25,191	40,850	25,191
Repayable by instalments in more than one but less than two years	26	78,713	41,547	77,625	41,547
Repayable by instalments between two and five years	26	162,343	147,401	160,904	147,401
Repayable by instalments in more than five years	26	790,297	873,849	785,076	865,013
		1,592,734	1,607,988	1,584,455	1,599,152

All loans are held at amortised cost.

The housing loans are provided by a combination of bank debt and capital markets funding. The bank facilities are provided by six principal commercial lenders being: Santander, Barclays, Bank of Scotland, Dexia, RBS NatWest, Nationwide together with the European Investment Bank. Loan interest rates range from 0.72% to 10.75% per annum (2017: 0.50% to 10.75%). The average rate achieved over the year was 3.9% (2017: 3.9%). Interest on housing loans is charged to the Statement of Total Comprehensive Income or capitalised in the year that it is incurred. The housing loans are secured by first fixed charges over certain of the Group's housing properties. The total undrawn loan facilities at 31 March 2018 were £320m (2017: £331m).

28. Provisions

	Group			Association		
	Property £'000	Other £'000	Total £'000	Property £'000	Other £'000	Total £'000
As at 1 April 2017	69	1,819	1,888	-	1,819	1,819
Arising during the year	2,743	2,826	5,569	2,733	1,400	4,133
As at 31 March 2018	2,812	4,645	7,457	2,733	3,219	5,952
Current	2,812	1,400	4,212	2,733	1,400	4,133
Non-current	-	3,245	3,245	-	1,819	1,819
As at 31 March 2018	2,812	4,645	7,457	2,733	3,219	5,952

Provisions recognised by the Group and Association are based on reliable estimates determined by management of the amounts payable based on available information. The amounts recorded in the above tables are continually evaluated by management.

The Property provision relates to the cost of replacing defective cladding on one property. Cost of work is estimated and is expected to be incurred within one year.

Other provisions mainly relate to additional costs on existing development schemes.

29. Recycled Capital Grant Fund and Disposal Proceeds Fund

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Recycled Capital Grant Fund					
As at 1 April		22,297	21,425	22,297	21,425
Reclassification		-	314	-	314
Grants recycled		4,736	5,113	4,736	5,113
Interest accrued		86	65	86	65
New build		(4,290)	(4,620)	(4,290)	(4,620)
As at 31 March	25, 26	22,829	22,297	22,829	22,297
Disposals Proceeds Fund					
As at 1 April		666	910	666	910
Reclassification		-	(314)	-	(314)
Grants recycled		-	103	-	103
Interest accrued		3	5	3	5
New build		-	(38)	-	(38)
As at 31 March	26	669	666	669	666

30. Pension arrangements

The Association participates in six defined benefit pension schemes which are multi-employer defined benefit schemes providing benefits based on final pensionable pay. All of the defined benefit schemes are now closed to new members. New employees are able to join a defined contribution scheme operated either by the Social Housing Pension Scheme or Scottish Widows.

(a) Social Housing Pension Scheme (SHPS)

The Trustee of the Scheme commissions an actuarial valuation of the scheme every three 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 so that the scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay 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.

It is not possible in the normal course of events to identify the underlying assets and liabilities belonging to individual participating employers. Accordingly, the scheme is not accounted for as a defined benefit plan but as a defined contribution plan with the discounted value of the agreed total deficit contributions included as a liability in the Statement of Financial Position.

The last formal valuation of the scheme was performed as at 30 September 2014 by a professionally qualified actuary using the projected unit method. The market value of the

Scheme's assets at the valuation date was £3,123m (2011 valuation £1,527m). The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323m (2011 valuation £1,035m), equivalent to a past service funding level of 70% (2011 valuation 67%).

The Association has closed its SHPS defined benefit scheme however £296k (2017: £293k) shortfall payments were made each month for the shortfall on the 2014 valuation. The shortfall payments are programmed for a further 9 years to clear the deficit by 2027. In addition an expense charge was levied for £9k per month (2017: £9k).

The Association paid employer's contributions up to 12% for the SHPS defined contribution scheme. The rate is variable dependent on the contributions rate selected by the employee. Total contributions amounted to £2,735k (2017: £2,663k).

The Association along with all other members of the Scheme are potentially liable to cover obligations due from failed associations.

Under FRS 102 multi-employer pension schemes such as SHPS are included in the balance sheet and the liability is calculated as the total deficit catch up payments agreed with the pension provider discounted at the appropriate rate. The discount rate is based on the return on a good quality corporate bond at the reporting date.

	Note	2018 £'000	2017 £'000
As at 1 April		26,608	28,824
Deficit contribution paid		(3,654)	(3,516)
Unwinding of the discount factor		328	555
Remeasurements - impact of changes in assumptions		(313)	745
As at 31 March	25,26	22,969	26,608

30. Pension arrangements (continued)

SHPS defined benefit

Major Assumptions	%
Long dated Gilt yield	3.0
Corporate bond yield	4.0
Market implied inflation rate	3.4
Pre-retirement discount rate	5.9
Post-retirement discount rate	3.3
Rate of price inflation - RPI	3.1
Rate of price inflation - CPI	2.2
Earnings growth assumptions	4.2
SHPS total scheme value as at 30 September 2014 valuation	£million
Assets	3,123
Liabilities	(4,446)
Net pension liability	(1,323)

(b) Royal Berkshire Pension Fund (Berkshire)

The Royal County of Berkshire Pension Fund was closed to new members in 1989.

The last full actuarial valuation was carried out as at 31 March 2017 and was updated to 31 March 2018 by a qualified independent actuary.

Future pension increases have been assumed to be at CPI.

It was agreed that an employer contribution rate of 21.9% of pensionable pay would apply in the year ended 31 March 2018 (2017: 21.9%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2018 was £412k (2017: £394k).

(c) Local Government Pension Scheme administered by Dorset County Council (Dorset - legacy Sovereign Housing Association Limited)

This is a statutory, funded, occupational final salary scheme which is now closed to new members. The assets of the scheme are held in separate trustee administered funds.

The last full actuarial valuation was carried out as at 31 March 2017 and was updated to 31 March 2018 by a qualified independent actuary.

Future pension increases have been assumed to be at CPI.

It was agreed that an employer contribution rate of 16.3% of pensionable pay would apply in the year ended 31 March 2018 (2017: 16.5%). Past service deficit payments of £147k were made during the year (2017: £nil).

(d) Local Government Pension Scheme administered by Oxfordshire County Council (Oxford)

The last full actuarial valuation was carried out at 31 March 2017

and was updated to 31 March 2018 by a qualified independent actuary.

There were no past service deficit payments (2017: £nil). The scheme was closed on 31st August 2014.

Future pension increases have been assumed to be at CPI.

(e) Local Government Pension Scheme administered by Hampshire County Council (Hants)

The last full actuarial valuation was carried out at 31 March 2017 and was updated to 31 March 2018 by a qualified independent actuary.

An employer contribution rate of 30.4% of pensionable pay applied for the year ended 31 March 2018 (2017: 15.6%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2018 was £342k (2017: £15k).

Future pension increases have been assumed to be at CPI.

(f) Local Government Pension Scheme administered by Dorset County Council (Dorset - legacy Spectrum Housing Group Limited)

The last full actuarial valuation was carried out at 31 March 2017 and was updated to 31 March 2018 by a qualified independent actuary.

An employer contribution rate of 16.3% of pensionable pay applied for the year ended 31 March 2018 (2017: 12.5%). Past service deficit payments of £250k were paid in 2018. A one off payment of £506k was made in 2014 to cover past service deficits for the following 3 years.

Future pension increases have been assumed to be at CPI.

30. Pension arrangements (continued)

(g) Local Government Pension Scheme administered by Isle of Wight Council (IOW)

The last full actuarial valuation was carried out at 31 March 2017 and was updated to 31 March 2018 by a qualified independent actuary.

An employer contribution rate of 26.9% of pensionable pay applied for the year ended 31 March 2018 (2017: 20.5%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2018 was £139k (2017: £109k).

Future pension increases have been assumed to be at CPI.

(h) Assumptions

The assumptions used by the actuaries for the individual schemes are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

	2018						2017					
	% per annum						% per annum					
	Berks	Dorset	Oxford	Hants	Dorset	I.O.W	Berks	Dorset	Oxford	Hants	Dorset	I.O.W
Major assumptions												
Price increases RPI	3.4	3.4	-	3.2	3.4	-	3.3	3.5	3.5	3.1	3.6	3.4
Price increases CPI	2.4	2.4	-	2.1	2.4	-	2.4	2.6	2.6	2.0	2.7	2.4
Pension increases	2.4	2.4	2.4	2.1	2.4	2.4	2.4	2.6	2.6	2.0	2.7	2.4
Pension accounts revaluation rate	-	-	-	2.1	-	-	-	-	-	2.0	-	-
Discount rate	2.5	2.6	2.6	2.6	2.6	2.7	2.3	2.7	2.7	2.5	2.7	2.6
Salary increase	3.9	3.9	n/a	3.6	3.9	2.8	3.9	4.1	4.1	3.5	4.2	2.8
Return assumptions												
Asset portfolio	2.5	2.6	2.6	2.6	2.6	2.7	2.3	2.7	2.7	2.5	2.7	2.6

The return on assets is quoted as the same value as the discount rate in each of the actuarial reports.

The assumed life expectancy from the age of 65 is as follows:

	Berks	Dorset	Oxford	Hants	Dorset	I.O.W
Retiring today						
Males	23.1	24.0	23.4	24.1	24.0	22.3
Females	25.2	26.1	25.5	27.2	26.1	24.7
Retiring in 20 years						
Males	25.3	26.2	25.6	26.2	26.2	23.9
Females	27.5	28.4	27.8	29.4	28.4	26.5

30. Pension arrangements (continued)

(i) Historical Data

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Berkshire					
Assets and liabilities value as at					
Present value of funded obligation	(18,503)	(19,274)	(16,871)	(18,137)	(16,783)
Fair value of Scheme Assets (bid value)	8,814	8,810	7,844	8,321	8,337
Net liability	(9,689)	(10,464)	(9,027)	(9,816)	(8,446)
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	235	(467)
Experience adjustments on scheme liabilities	-	(73)	-	-	(171)
Dorset (legacy Sovereign Housing Association Limited)					
Assets and liabilities value as at					
Present value of funded obligation	(10,948)	(11,217)	(9,210)	(9,706)	(8,466)
Fair value of Scheme Assets (bid value)	5,329	5,357	4,665	4,808	4,465
Net liability	(5,619)	(5,860)	(4,545)	(4,898)	(4,001)
Present value of unfunded obligation	(25)	(27)	(31)	(29)	(29)
Net liability (including unfunded obligations)	(5,644)	(5,887)	(4,576)	(4,927)	(4,030)
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	176	313
Experience adjustments on scheme liabilities	-	(228)	-	-	(52)

30. Pension arrangements (continued)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Oxfordshire					
Assets and liabilities value as at					
Present value of funded obligation	(26,418)	(26,821)	(22,624)	(24,242)	(21,346)
Fair value of Scheme Assets (bid value)	27,188	27,017	23,127	23,864	21,744
Net assets/(liability)	770	196	503	(378)	398
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	1,635	2,350
Experience adjustments on scheme liabilities	-	1,293	-	469	1,185
Hampshire					
Assets and liabilities value as at					
Present value of funded obligation	(8,880)	(8,910)	(7,850)	(8,350)	(7,640)
Fair value of Scheme Assets (bid value)	6,600	6,370	5,460	5,670	5,150
Net liability	(2,280)	(2,540)	(2,390)	(2,680)	(2,490)
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	410	120
Experience adjustments on scheme liabilities	-	-	-	60	240

30. Pension arrangements (continued)

Dorset (legacy Spectrum Housing Group Limited)	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Assets and liabilities value as at					
Present value of funded obligation	(24,841)	(25,640)	(20,378)	(21,398)	(18,009)
Fair value of Scheme Assets (bid value)	13,521	13,401	11,066	11,317	10,454
Net liability	(11,320)	(12,239)	(9,312)	(10,081)	(7,555)
Present value of unfunded obligation	(74)	(78)	(70)	(74)	(46)
Net liability (including unfunded obligations)	(11,394)	(12,317)	(9,382)	(10,155)	(7,601)
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	-	-
Experience adjustments on scheme liabilities	-	-	-	-	-

Isle of Wight

Assets and liabilities value as at					
Present value of funded obligation	(13,041)	(12,734)	(11,057)	(11,751)	(9,625)
Fair value of Scheme Assets (bid value)	9,918	9,599	8,361	8,000	6,807
Net liability	(3,123)	(3,135)	(2,696)	(3,751)	(2,818)
Experience adjustments					
Experience adjustments on scheme assets	-	-	-	-	-
Experience adjustments on scheme liabilities	-	-	-	-	-

Consolidated (Group and Association)	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Assets and liabilities value as at					
Present value of funded obligation	(102,631)	(104,596)	(87,990)	(93,584)	(81,869)
Fair value of Scheme Assets (bid value)	71,370	70,554	60,523	61,980	56,957
Net liability	(31,261)	(34,042)	(27,467)	(31,604)	(24,912)
Present value of unfunded obligation	(99)	(105)	(105)	(75)	(29)
Net liability (including unfunded obligations)	(31,360)	(34,147)	(27,572)	(31,679)	(24,941)

30. Pension arrangements (continued)

(j) Analysis of Pension Costs in the Statement of Total Comprehensive Income

	2018 £'000	2017 £'000
Charged to operating costs		
Current service cost	911	649
Administration costs	19	34
Total charged to operating costs	930	683
(Credit)/charge to other finance costs		
Expected return on pension fund assets	(1,828)	(2,141)
Interest on pension scheme liabilities	2,682	3,092
Net charge to other finance costs	854	951

(k) Asset and Liability Obligation Reconciliations

	2018 £'000	2017 £'000
Benefit Obligation		
Defined benefit obligation at the beginning of the year	104,701	88,089
Service cost	911	649
Interest cost	2,682	3,092
Change in financial assumptions	(2,195)	18,510
Change in demographic assumptions	-	(402)
Experience gains	-	(2,517)
Estimated benefits paid (net of transfers in)	(3,543)	(2,877)
Past service cost	19	-
Contributions by scheme participants	161	163
Unfunded pension payments	(6)	(6)
Defined benefit obligation at the end of the year	102,730	104,701

30. Pension arrangements (continued)

(k) Asset and Liability Obligation Reconciliations (continued)

	2018 £'000	2017 £'000
Asset Reconciliation		
Fair value of scheme assets at the beginning of the year	70,554	60,523
Interest on assets	1,828	2,141
Return on assets less interest	539	8,441
Other actuarial gains	40	970
Administration expenses	(19)	(34)
Contributions by employer	1,816	1,233
Contributions by scheme participants	161	163
Estimated benefits paid (net of transfers in)	(3,549)	(2,883)
Fair value of scheme assets at the end of the year	71,370	70,554

31. Financial Instruments

(a) Carrying amount of Financial Instruments

The carrying amount of the financial assets and liabilities includes:

	2018 £'000	2017 £'000
Assets measured at amortised cost	6,176	7,693
Liabilities measured at fair value through the income statement (derivatives)	(83,435)	(96,932)
Liabilities measured at amortised cost (housing loans)	(1,592,734)	(1,607,938)
	(1,669,993)	(1,697,177)

(b) Financial Instruments measured at fair value

Derivative financial liabilities at fair value are calculated using quoted market prices to establish expected future cash flows, which are discounted at a market derived interest rate.

31. Financial Instruments (continued)

(c) Hedge Accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

Interest rate swaps

	Carrying amounts £'000	Expected cash flows £'000	2018				2017					
			1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000	Carrying amounts £'000	Expected cash flows £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Liabilities	83,435	96,534	7,381	6,625	18,408	64,120	96,932	117,331	8,354	8,222	23,701	77,054
	83,435	96,534	7,381	6,625	18,408	64,120	96,932	117,331	8,354	8,222	23,701	77,054

The Group uses cash flow hedges to manage interest rate risk arising from uncertain future interest rates on its floating rate loans. Interest rate swaps (the hedging instrument) are used to swap a proportion of the Group's floating rate interest cash flows (the hedged items) for fixed rate cash flows, thereby reducing the cash flow and income statement uncertainty. The Group recognises interest rate exposure as a key risk to be managed as an integral part of its strategy for managing its overall business risks and costs.

Change in fair value

	2018 £'000	2017 £'000
Recognised through other comprehensive income	10,998	4,489
Recognised through the income statement	2,499	(637)
Increase in fair value	13,497	3,852

(d) Fair values

	2018 £'000	2017 £'000
The amounts for all financial assets and financial liabilities carried at fair values are as follows		
Hedging instruments	83,435	96,932
	83,435	96,932

32. Called Up Share Capital

Each shareholder of the Parent holds a non-equity share of £1 in the Parent. The shares carry no rights to dividends and are non-redeemable. They carry the right to vote at meetings of the Parent on the basis of one share one vote. No rights to participate in the net assets of the Parent in the event of a winding up are conferred by the shares.

	2018 £	2017 £
Allotted issued and fully paid		
At 1 April	120	146
Issued in the year	6	7
Cancelled during the year	(7)	(33)
At 31 March	119	120

Under Financial Reporting Standard 102, the Association's share capital falls under the description 'non equity'.

33. Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Income and expenditure reserve – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Hedging reserve – gains and losses on hedge effective financial instrument.

Revaluation reserve – the difference between historic cost and valuation or deemed cost of fixed assets.

Non-controlling interest – the share of distributable reserves of interest within the Group held by parties from outside of the Group.

34. Capital Commitments

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	300,185	264,312	246,952	239,155
Capital expenditure that has been authorised by the Executive Board but has not yet been contracted for	138,930	79,310	131,575	79,268

At 31 March 2018, the Group had cash and short term deposits of £26,213k (2017: £45,163k) and a further £320m of undrawn committed funding (2017: £331m), of which £215m was secured and available immediately (2017: £148m). These funds, along with cash generated from operating activities are expected to fund the above capital expenditure.

35. Operating Leases

The Group and Association hold office premises and equipment, and vehicles under non-cancellable operating leases. Non-cancellable operating lease rentals are payable as follows:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Land and buildings				
- within one year	209	205	209	173
- between two and five years	262	1,578	130	981
- in over five years	1,360	546	847	546
Temporary social housing initiatives				
- within one year	-	36	-	36
- between two and five years	142	108	142	108
- in over five years	-	36	-	36
Other				
- within one year	1,665	1,526	1,163	1,444
- between two and five years	2,643	3,839	2,243	2,612
- in over five years	-	3	-	3
	6,281	7,877	4,734	5,939

36. Related Party Transactions

Resident Board and Committee members are charged normal policy rents and receive no favourable treatment in any respect as a result of their membership of the Association.

Sovereign Housing Association holds 100% of the share capital in the following subsidiaries:

Doubloon Developments Limited
 Florin Homes Limited
 Sovereign Living Limited (registered provider)
 Pennyfarthing Building Services Limited
 Sovereign Advances Limited
 Sovereign Westinghouse Development Limited
 Spectrum Property Care Limited
 Spectrum Property Ventures Limited

Spectrum Premier Homes Limited is a company limited by guarantee.

The Association also holds 2% of the share capital of Sovereign Housing Capital plc, with 98% held by Sovereign Advances Limited.

Pennyfarthing Building Services is a Member of Kingfisher Building Services LLP with a majority interest of 80%.

Sovereign Westinghouse is a Member in four joint ventures with equal interests from two Partners in each case. These are Linden Homes Westinghouse LLP, Sovereign BDW (Newbury) LLP, Sovereign BDW (Hutton Close) LLP and Kier Sovereign LLP.

Spectrum Premier Homes Limited is a Member in Linden Homes (Sherford) LLP, a joint venture with equal interest from two Partners.

Lee Bambridge is a non-executive Board member, a member of the Audit and Risk Committee and the Treasury Committee of the Association, and a member of the Senior Management Board of Newbury Building Society. The Association has loans of £2.5m outstanding with Newbury Building Society. Mr Bambridge has no direct influence in the decision making process regarding loans with the Association.

37. Accounting Estimates and Judgements

Assumptions for the Local Government Pension Schemes have been obtained from the annual reports performed by qualified actuaries. An estimate of the Group's future cashflows is made using notional cashflows based on the estimated duration. These estimates are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous year to reflect national auditor preferences.

The Social Housing Pension Scheme year end liability is obtained from the Pensions Trust using analysis provided by a qualified actuary. To derive the discount rate a £GBP AA Corporate Bond yield curve is used which is supplied by Bank of America Merrill Lynch at the reporting date. The rates from the yield curve are used to calculate a present value of the pension scheme's future agreed deficit reduction contributions at the reporting date. A single equivalent discount rate is then derived.

Rental arrears payment plans are discounted at a rate which management believes is appropriate for the level of risk in the recovery of such debt.

Investment properties were valued on the basis of open market value as at 31 March 2018, and commercial properties were similarly valued as at 31 March 2016. The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent.

Costs in determining the carrying value of housing properties in current assets are applied as prescribed in the relevant SORP. The apportionment is based on the out turn of the scheme at the reporting date but is subject to future influences from government policy changes and economic conditions.

Estimation of cost of sales on first tranche shared ownership sales can include cross subsidy to the general rented element of mixed developments.

Provisions recognised by the Group are based on reliable estimates determined by management of the amounts payable based on available information. The amounts recorded in note 28 are continually evaluated by management.