



**SOVINI LIMITED**

**Consolidated and Entity**

**Report and Financial Statements**

**Year ended 31 March 2023**

**Community Benefit Society  
(FCA) number: 31411R**

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## Sovini Limited

### Report and Financial Statements for the year ended 31 March 2023

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## Sovini Limited

### Executives and Advisors for the year ended 31 March 2023

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#### Company number

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

#### Executives

##### *Board of management*

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

##### *Executive management*

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

##### *Secretary and registered office*

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

#### Auditor

BDO LLP  
5 Temple Square  
Temple Street  
Liverpool  
L2 5RH

#### Principal solicitors

Weightmans  
100 Old Hall Street  
Liverpool  
L3 9QJ

#### Bankers

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

## **Sovini Limited**

### **Chair's Statement for the year ended 31 March 2023**

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I am pleased to announce that this year we achieved an operating surplus / profit of £19.3m (2022: £21.5m). We will reinvest these resources to improve and modernise our services, mitigate our risk and to continue to "create opportunities and change lives".

Despite the challenges which remain in the current operating environment, Sovini Limited has had an exceptional year and regained momentum as we have moved further away from the significant impacts of the Covid 19 pandemic and post year recovery period.

Our business has continued to go from strength to strength, having restructured our leadership team at the start of 2022, whilst continuing to invest in and retain our loyal, highly professional and skilled employees. Building new homes to be proud of, whilst continuing to improve and repair our existing homes, and putting our customers at the heart of everything that we do.

As a committed and responsible housing group, we pride ourselves on delivering high quality homes and we operate our business in an ethical and sustainable manner whilst creating long term value for the benefit of our customers, our employees and the supply chain who support us including our Sovini group integrated supply chain partners.

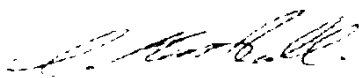
Whilst our financial results are lower than last year, this reflects planning and other delays which, were directly outside of our control. Our business model and future forecasts remain on track to deliver our medium-term objectives and operating margins.

Our sustained focus on business transformation and service improvement, has improved our build quality and overall customer experience and satisfaction. This has allowed us to drive up productivity and realise underlying efficiencies. Our unique end to end fully integrated supply chain solution, allows us to attain higher quality from our processes and increase our operating margins. This additional capacity will allow us to navigate the many challenges that lie ahead due to heightened trading risks, the Ukraine war and related economic aftershocks, including high inflation.

I have no doubt that this has been driven by our strong sense of purpose and the ability to harness the benefits of the Sovini group structure. We continue to do all that we can to support our customers and employees, including their health and wellbeing, ensuring that we prioritise their safety above all else. Equally we remain committed to employee development, not just because it is the right thing to do, but because it is fundamental to our long-term success.

As we look ahead to the future, we continue to prepare to incept and embed the new regulatory standards and work with the Regulator of Social Housing (RSH) and our customers to evidence our ongoing compliance and financial headroom / resilience. We will also, continue to support our customers and particularly those who face hardship and are more at risk of the impacts of the cost-of-living crisis. As well as discharging our statutory compliance, emergency and responsive repair obligations alongside preparations in response to the Building Safety Bill and the Housing White Paper.

In the pursuit of our vision of "a brighter future", I believe we are in a strong position to continue to invest in our communities and support the provision of quality homes and services.



**Colin Marshall (chair of the board)**  
**20 September 2023**

**Sovini Limited**  
**Strategic Report**  
**for the year ended 31 March 2023**

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The board is pleased to present its Strategic Report and audited financial statements for the year ended 31 March 2023.

#### **Business overview**

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

The group manages 14,231 homes throughout the north west of England, with a high concentration in the Merseyside, Cheshire and Lancashire areas. We have a funded / committed affordable homes programme, including shared ownership and rent to buy options and currently have 346 units under construction with funding currently allocated for 989 homes.

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

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

Sovini is committed to excellence in governance and financial viability, linked to our sense of purpose. As such, we have confirmed compliance with the 2020 NHF Code of Governance. A self assessment of compliance has been completed by Sovini and our Registered Providers and full compliance is confirmed. Therefore Sovini Limited are able to certify compliance with the 2020 NHF Code of Governance. Although, Sovini is not registered with the housing regulator, we are committed to following the spirit of the Regulatory Framework and support our Registered Providers in ensuring compliance with the Framework.

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

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

#### **Objective and strategy**

Our vision for 'a better future' applies to everyone that is touched by our business activities. This includes the people that live in our homes and receive our services, the communities we enhance by making better neighbourhoods, the contributions we make to economic prosperity in our areas of operations and our staff who make it all possible.

The overall purpose of The Sovini Group is to increase financial capacity for its core business activity of providing low-cost homes for rent and sale via the Registered Providers (currently One Vision Housing and Pine Court Housing Association). This is generated through commercial activity, interest paid on inter-company loans, recurring VAT savings from self-delivery, efficiencies through economies of scale / technological innovation and when conditions allow – 'Gift-Aiding' a proportion of profits achieved by Sovini Commercial. In addition to their own means of revenue generation, the Group model provides the (non-for-profit) Registered Providers with additional financial capacity to:

- Continue to invest in existing housing stock to improve the living conditions for customers and ensure the housing offer is competitive and demand remains strong,
- Maintain properties at levels above and beyond the prevailing Decent Homes Standard,
- Meet building and fire safety requirements necessitated by existing and forthcoming legislation and all other compliance requirements,
- Improve the environmental performance of properties to meet carbon reduction targets and limit, as far as is possible, the energy expenditure for customers, and
- Expand development programmes for provision of new homes for rent and sale.

Through the provision of efficient central services and shared back-office systems / infrastructure and support, including sound risk management procedures, the Sovini model also provides the right environment for the Commercial companies to achieve growth / business diversification and improved financial resilience to external market forces through guaranteed workstreams.

With all Sovini Group entities working in inter-related fields, opportunities exist to maximise the supply chain and offer unique and comprehensive service packages or full end-to-end process for all property construction, maintenance and management needs. Central to everything The Sovini Group does and strives to achieve are the twin pillars of excellent customer service / experience and an inclusive / positive working culture for our people to thrive and achieve together.

**Sovini Limited**  
**Strategic Report**  
**for the year ended 31 March 2023 (continued)**

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**Strong, accountable governance and scrutiny arrangements**

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

**Review of the year**

2023 has continued to be challenging as we have responded to changes in the economy, our operating environment and working practices. This is in an environment where many construction and other businesses have had to significantly downgrade their financial forecasts or indeed have ceased trading. During 2023, we achieved an operating surplus/profit of £19.3m (Restated 2022: £21.5m). This has been achieved after £nil (2022: £0.8m) of non-recurring impairments and after delivery of our fire safety programme by £0.4m (2022: £4.7m) of which, £0.1m (2022: £3.7m) was capitalised to the SOFP, with £0.3m (2022: £1.0m) expensed through the SOCI as major works. Turnover for the year was made up of rent and service charge income of £70.4m (2022: £66.1m), other social housing income of £1.2m (2022: £2.8m) and other/commercial income of £20.4m (2022: £15.4m). Operating costs and cost of sales for the year were £75.2m (Restated 2022: £66.2m).

Our social housing operating costs of £53.4m (2022: £47.9m) (note 4) and this reflects 100% (2022: 100%) of our homes meeting our property standard.

During the period we completed £10.0m (2022: £12.6m) of improvements to our housing properties which, were capitalised to the Statement of Financial Position. Group housing assets at 31 March 2023 had a net book value of £347.5m (2022: £321.1m). We spent £28.6m (2022: £30.7m) in the year in the delivery of our development programme.

We managed and mitigated our "in year" welfare reform risks, collecting 99.5% + of our rental income and significantly reducing lost rent from our empty properties, though a reduction in our relet timescales.

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

The 2022 figures have been affected by a prior year adjustment as explained in note 35. Figures affected by the adjustment have been noted as 'restated'.

**Our key achievements**

Our key achievements include the following;

- The Groups RP's have taken proactive asset management / investment decisions ahead of legislative drivers and timescales to address a number of buildings / fire safety requirements and are introducing system improvements to be able to identify and address future needs / expenditure, including Buildings Information Management System (BIM), improved asset management system linked to new housing management system and comprehensive stock condition surveying;
- A comprehensive and data driven Sustainability Index is in place to inform future investment decisions and options appraisals and is due for a system upgrade in 2023;
- Use of Reduced Standard Assessment Procedure (RdSAP) methodology is adopted, coupled with new Net Zero Carbon Management System / Carbon Accounting Software has led to an improved picture in understanding energy performance of properties, determining investment requirements and assisting in preparation of funding bids for Green Homes Grant and Wave Two of the Social Housing Decarbonisation Fund;
- Both RP's have maintained top quartile performance across a range of KPI's when benchmarked against comparable providers and are well placed to adopt national Tenant Satisfaction Measures and wider changes in consumer standards of the Regulatory Framework;
- Following on from completion of a new developments in 2021 (representing a 10% increase in stock size) Pine Court HA secured a further £6m of funding and committed this in there Business Plan to deliver circa 30 new homes over the period 2022-24 (representing a further increase in stock size and increasing future revenue / borrowing capacity). They have also commenced a funding options review to understand their future growth opportunities and financing opportunities;
- As part of our overall accommodation strategy, a new central 'hub facility' was opened in June 2023 offering informal meeting space, hot desking capacity and printing facilities;
- All Group-wide accreditations and externally verified quality marks (relevant to business area) retained in 2022 e.g. ISO9001, ISO45001, ISO27001, ISO14001;
- The impacts of Brexit / Covid19 / spiralling inflation and economic downturn have had a huge impact on our underlying profit margins and productivity. This has impacted on all of the Sovini Commercial entities to a greater or lesser extent. The period 2022/23 has been all about recovery and reviewing capacity via increased efficiency and productivity;

## Sovini Limited

### Strategic Report for the year ended 31 March 2023 (continued)

#### Our key achievements (continued)

- Despite the challenging operating environment, the Sovini Commercial companies have continued to win new external contracts and sales outside of the Group have remained steady and in some areas have increased. There has also been continued expansion / investment in infrastructure and distribution points in new geographical areas / markets;
- Some of our commercial companies have experienced a difficult trading year and have been particularly hard hit by staff recruitment and retention issues, due to the competitive nature of the labour market for trades skills. Alongside internal restructures and changes in the management team, we have overcome many of these challenges and been able to continue to deliver the majority of our major improvement work programmes;
- In respect of ongoing supply chain risks, The Sovini Group has been able to overcome significant material availability and price increase risks due to our end-to-end supply chain solution and material provider Sovini Trade Supplies (STS). With a new purpose built distribution centre in Liverpool and a network of local branches, STS have via the National Buying Group secured competitive prices and maintain continuity of supply to the Groups RP's and also to its key RP clients across the North West; and
- The Sovini Group continue to self-build an increasing proportion of its homes via Sovini Construction and Sovini Land Acquisitions Limited. Securing a pipeline of land is key to the success of our RP's Development Strategies. Key risks to the delivery of which, include being able to continue to secure planning permission in desirable and viable areas and mitigate the increasing pressures on build cost and material supply.

#### How we performed

Financial performance in the year	2023 £'000	Restated 2022 £'000
Turnover	92,018	84,276
Cost of sales	(15,877)	(13,944)
Operating costs	(59,340)	(52,213)
Surplus on disposal of fixed assets	2,493	3,425
<b>Operating surplus</b>	<b>19,294</b>	<b>21,544</b>
Net financing costs	(9,717)	(8,822)
Other	252	1,085
<b>Surplus for financial year before tax</b>	<b>9,829</b>	<b>13,807</b>
Statement of financial position	2023	Restated 2022
Property, plant and equipment	347,527	321,108
Other fixed assets	20,541	22,949
	<b>368,068</b>	<b>344,057</b>
Net current assets/(liabilities)	8,098	4,478
Creditors greater than one year	(302,667)	(282,150)
Pensions liability	(1,463)	(1,526)
Provisions	(273)	(278)
<b>Reserves</b>	<b>71,763</b>	<b>64,581</b>
Margins and performance	2023	Restated 2022
Operating costs (including cost of sales) as a % of turnover	81.74%	78.50%
Operating costs (including cost of sales) as a % of turnover - excluding exceptional items	81.74%	77.55%
Operating margin	20.97%	25.56%
Net margin	10.68%	16.38%
Debt per unit	£18,324	£17,564

## Sovini Limited

### Strategic Report for the year ended 31 March 2023 (continued)

#### How we performed (continued)

Units in management	2023	2022
General needs	12,192	12,080
Supported housing	1,024	1,054
Low cost home	311	301
Non social housing	86	86
Leaseholder	618	614
<b>Total</b>	<b>14,231</b>	<b>14,135</b>

#### Treasury management policies

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

#### Financial instruments

##### Loan structure

At 31 March 2023, the group had loans totalling £249.42m and £123.0m of unutilised loan facilities. Fixed rate loans were £178.42m (71.5%) and variable loans of £71m (28.5%). This is within the thresholds of our treasury management policy.

Funder	Type	Drawdown Date	Maturity Date	Amount £m	Interest Rate %
Barclays (RCF)	Variable	22/03/2023	22/06/2023	15.00	4.53%
Barclays (RCF)	Variable	23/03/2023	23/06/2023	3.00	4.53%
Barclays (RCF)	Variable	11/01/2023	11/04/2023	4.00	4.53%
Barclays (RCF)	Variable	09/02/2023	09/05/2023	3.00	5.03%
Barclays (RCF)	Variable	09/03/2023	09/06/2023	11.00	4.03%
Barclays (RCF)	Variable	16/02/2023	16/05/2023	2.00	5.03%
Barclays (RCF)	Variable	30/03/2023	30/06/2023	4.00	4.53%
Barclays (RCF)	Variable	15/02/2023	15/05/2023	2.00	5.03%
Barclays (RCF)	Variable	24/02/2023	24/05/2023	6.00	5.03%
Barclays (RCF)	Variable	23/03/2023	23/06/2023	4.00	4.53%
Barclays (RCF)	Variable	13/01/2023	13/04/2023	7.00	4.53%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2042	13.00	4.85%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2044	13.00	4.85%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2046	14.00	4.85%
M&G Note Purchase - 2016	Fixed	01/04/2016	01/04/2048	15.00	4.19%
M&G Note Purchase - 2017 (Tranche 1)	Fixed	06/04/2017	06/04/2036	10.00	3.30%
M&G Note Purchase - 2017 (Tranche 2)	Fixed	06/04/2017	06/04/2036	10.00	3.40%
M&G Note Purchase - 2018	Fixed	21/12/2018	21/12/2043	30.00	3.70%
Orchardbrook	Fixed	01/04/2000	31/03/2041	0.93	10.91%
Orchardbrook	Fixed	15/12/2009	30/09/2047	0.18	9.92%
RBS - Facility B	Fixed	18/07/2014	30/10/2041	30.00	7.45%
RBS - Facility B	Variable	18/07/2017	30/10/2041	10.00	5.52%
RBS - Facility C	Fixed	21/09/2022	21/09/2047	37.50	5.06%
RBS A	Fixed	06/12/2006	01/02/2025	0.31	6.82%
RBS A	Fixed	06/12/2006	01/02/2025	0.18	2.88%
RBS B	Fixed	31/10/2019	06/12/2031	1.32	3.15%
THFC	Fixed	05/10/2011	05/10/2043	3.00	5.20%
				<b>249.42</b>	
Loan Fees*				(1.58)	
<i>* Capitalised financing costs on undrawn facilities</i>				<b>247.84</b>	



**Sovini Limited**  
**Strategic Report**  
**for the year ended 31 March 2023 (continued)**

**Financial instruments (continued)**

**Debt repayment profile**

The value and duration of our loans is summarised below. The weighted average cost of debt was 4.80% at 31 March 2023 and 57.9% of the debt relates to bank loan financing and 42.1% to bond financing.

Repayment Profile	Orchardbrook £'000	RBS £'000	M & G £'000	THFC £'000	Barclays £'000	Total £'000
< 1 yr	20	352	-	-	-	372
1-2 yrs	22	369	-	-	-	391
2-5 yrs	84	5,409	-	-	61,000	66,493
> 5 yrs	983	73,176	105,000	3,000	-	182,159
	<b>1,109</b>	<b>79,306</b>	<b>105,000</b>	<b>3,000</b>	<b>61,000</b>	<b>249,415</b>

**Credit risk**

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

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

COMPANY	Rating at 31 March 2023	Balance at 31 March 2023 £'000	Rating at 31 March 2022	Balance at 31 March 2022 £'000
RBS	P-1 / A-1 / F1	<b>812</b>	P-1 / A-1 / F1	<b>316</b>
Santander	P-1 / A-1 / F1	<b>102</b>	P-1 / A-1 / F1	<b>1</b>
Nationwide	P-1 / A-1 / F1	<b>111</b>	P-1 / A-1 / F1	<b>10</b>
		<b>1,025</b>		<b>327</b>

GROUP	Rating at 31 March 2023	Balance at 31 March 2023 £'000	Rating at 31 March 2022	Balance at 31 March 2022 £'000
RBS	P-1 / A-1 / F1	<b>8,530</b>	P-1 / A-1 / F1	<b>8,041</b>
Lloyds	P-1 / A-1 / F1	<b>113</b>	P-1 / A-1 / F1	<b>113</b>
Barclays	P-1 / A-1 / F1	<b>605</b>	P-1 / A-1 / F1	<b>729</b>
Santander	P-1 / A-1 / F1	<b>769</b>	P-1 / A-1 / F1	<b>110</b>
Nationwide	P-1 / A-1 / F1	<b>1,329</b>	P-1 / A-1 / F1	<b>174</b>
THFC - interest reserve	P-1 / A-1 / F1	<b>172</b>	P-1 / A-1 / F1	<b>170</b>
<b>Total</b>		<b>11,518</b>		<b>9,337</b>

**Cash flow and liquidity risk**

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

Rolling cash flow projections are prepared and cash balances are monitored regularly together with the value of the group's cash investments. At the end of the financial year, these projections indicated that the group expect to have sufficient liquid resources to meet it's obligations under all reasonably expected circumstances for the medium term. The group has also reduced it's liquidity risk by fixing interest rates on 71.35% of it's external borrowings.

## **Sovini Limited**

### **Strategic Report for the year ended 31 March 2023 (continued)**

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#### **Loan covenant compliance**

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

#### **Value for money**

Our Registered Providers (OVH and PCHA) have reviewed and assessed compliance against the requirements of the VFM Standard and confirmed compliance to each respective board. The 2022/23 VFM statements have been prepared and included in each of the Associations audited Statutory Accounts. Copies of the statements are available on each providers website.

#### **Future prospects**

We will continue to embrace change, pushing boundaries, as we constantly strive to improve our services. Our targets will continue to stretch our performance and everything we do is always quality assured, from our excellent housing management services through to the homes we build and all the ancillary and central support services.

From an internal perspective, our Sovini group business model is extremely effective. The virtuous circle of the group means success and growth in one area leads to increased capacity and opportunity in another, in a way that is mutually beneficial. Ultimately the aim is for growth targets of Sovini Commercial to have reached sufficient levels by 2026/27 that all existing inter-company loans will be paid off and a proportion of profits can be made available as 'Gift Aid' to the groups RP's, to further their development and investment programmes.

However, the pressures on revenue and increased costs from the external operating environment make the path to growth and increased profitability even more challenging for all parts of the Sovini group. This is coupled with economic uncertainty, political instability due to an impending general election and the urgent need to confirm future rent policy.

Not only have external pressures impacted on the economic outlook and position but they have led to permanent and fundamental changes in the ways in which businesses operate and interact with their customer and client bases.

This plays out in the increasing number of transactions and interactions that are facilitated via digital means, the expectations of both internal and external client / contractor relations that demand ever increasing efficiency with no loss of quality, the need for long term stability in the supply of goods / services and the need to maintain and constantly improve customer / end-user satisfaction.

For these reasons the key focus of the group is on 'business transformation' and how the group can instigate a gradual programme of change that ensures our individual entities can thrive but also work and achieve together as a collective.

Whilst the end goal of the business transformation process is improvement across all key business success indicators, in many respects it is also about rediscovering and re-emphasizing 'core values' and 'sense of purpose'.

For the Community Benefit Societies this is all about providing good quality homes and housing management services where the customer is central to decision making and setting / monitoring of quality standards.

For the Commercial entities this is all about achieving growth and profitability to be able to create additional financial capacity for the Community Benefit Societies (leading to increased spend within the Group), de-risking the business process from fluctuations in market forces and guaranteeing continuity of supply.

#### **Risk and uncertainty**

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

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

#### **Reputation**

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

**Sovini Limited**  
**Strategic Report**  
**for the year ended 31 March 2023 (continued)**

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***Future rent setting policy***

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

***Rent collection and cost-of-living crisis***

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

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

We have confirmed our development programme and are mindful of the need to ensure that this is delivered within time and cost assumptions, in an environment of increasing material and labour costs and a global shortage of certain construction items e.g. timber, brick, plaster etc. We are also mindful that we must continue to contain our sales risk exposure within our risk appetite thresholds. We believe we are in a strong position, and are nearly completion of a funding review to ensure a continued development pipeline beyond 2026/27. We also continue to work in partnership with our Sovini Commercial supply chain partners, to reach agreement on the short to medium term interventions we can put in place to ensure continuity within the programme and maximise the number of completed homes at each year end.

***Zero Carbon***

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

***Ethical business***

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

***Future growth***

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

***Accounting policies***

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

***Statement of compliance***

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

***Approval***

This Strategic Report was approved by the board of directors on 20 September 2023.



**Colin Marshall (chair of the board)**  
**20 September 2023**



**James Currie (director)**  
**20 September 2023**



**Marcus Evans (company secretary)**  
**20 September 2023**

**Sovini Limited**  
**Report of the Board**  
**for the year ended 31 March 2023**

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The board is pleased to present its report and audited financial statements for the year ended 31 March 2023.

**Who are we?**

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

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

**Principal activities**

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

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

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

**The Board and delegation**

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

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

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

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

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

**Results**

The surplus for the period, before taxation amounted to £9.8m (Restated 2022: £13.8m). This performance has been achieved after £nil (2022: £0.8m) of non-recurring impairments and after continuing our delivery of our fire safety programme by £0.4m (2022: £4.7m) of which £0.1m (2022: £3.7m) was capitalised to the SOFP, with £0.3m (2022: £1.0m) expensed through the SOCI as major works.

## Sovini Limited

### Report of the Board for the year ended 31 March 2023 (continued)

#### Compliance with the 2020 NHF Code of Governance and RSH Regulatory Standards

Our registered providers have each completed a self-assessment of compliance in meeting the specific requirements of RSH regulatory framework and standards.

As part of the certification process, the each of the Association's boards have considered and approved its Value for Money (VFM) statement, which evidences the association's outcomes and best practice. The VFM statement can be found on their respective websites.

The board formally adopted the 2020 NHF Code of Governance in April 2022. An annual self-assessment of compliance has been undertaken for 2022/23 and submitted to board in July 2023 for approval. As a result, the board can confirm full compliance with the requirements of the 2020 NHF Code of Governance.

Therefore, the board can certify compliance with the Governance and Financial Viability standard.

Regular compliance update reports are referred to the board during the year for approval.

#### Board members' responsibilities

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

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

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

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and society's transactions and disclose with reasonable accuracy at any time the financial position of the group and society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969. They are also responsible for safeguarding the assets of the group and society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

#### Statement on internal control

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

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

**Sovini Limited**  
**Report of the Board**  
**for the year ended 31 March 2023 (continued)**

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**Statement on Internal control (continued)**

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

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

***Control environment***

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

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

***Information and financial reporting systems***

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

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

***Employee involvement***

The Sovini group employs 792 (2022: 826) staff who are committed and motivated in the achievement of our objectives. The board is appreciative of their efforts, particularly in improving the outcomes achieved by the group and its wider reputation amongst the housing and commercial sectors for innovation and improvement. The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

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

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

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

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

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

**Sovini Limited**  
**Report of the Board**  
**for the year ended 31 March 2023 (continued)**

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**Customer involvement**

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

**Political and charitable donations**

During the year, we made no political donations (2022: £nil) and £26k of charitable donations (2022: £29k).

**Qualifying third party indemnity provisions**

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

**Going concern**

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

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

We continue to maintain viable 30 year business plans for our two registered provider partners (OVH and PCHA) and a quality order book for our Sovini Commercial partners which, is committed for several years. As such, our cash flows remain strong and viable. As a consequence of this we continue to forecast strong operating surplus's and hold sufficient financial headroom to enable us to mitigate and manage the outcome of the various stress test and perfect storm scenarios that we have completed on our current Business Plans. We have also increased our Sovini Commercial EBITDA forecasts from £3.7m to £6m at March 2023 to reflect recovery to pre pandemic levels. Following which, we have prudently forecast that our longer term EBITDA to remain relatively static at circa £9m to £10m until 2026/27 and in a position to be able to commence gift aid allocations to OVH and PCHA in line with our agreed policy. As always, we will continue to strive to outperform these targets. Though the company currently reports a net current liability position of £2.5m (Restated 2022: £1.9m) this includes £3.3m (Restated 2022: £2.4m) of unexercised deferred bonus scheme payments within current creditors. Excluding these reflects a £0.8m (Restated 2022: £0.5m) net current asset position.

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

As a key provider of affordable housing, we continue to self-deliver via the Sovini Commercial partners an increasing proportion of our development programme. In 2022/23, we achieved £29.2m of spend, 157 handovers. We also secured additional grant and sales receipts. During the year ahead we plan to spend circa £118.6 (net development funding), to build 989 new homes and acquiring a land pipeline to facilitate this.

Due to the ongoing impact of the Ukraine war and the level of economic risk and uncertainty remains directly outside of our control. We continue to monitor and assess the ongoing impacts and deploy effective controls to minimise any impacts on our operations where at all possible. This includes the deployment of daily processes to manage/monitor our cash flow and continue to review our financial stability and long-term viability.

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

**Auditors**

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

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

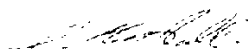
**Sovini Limited**

**Report of the Board  
for the year ended 31 March 2023 (continued)**

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**Approval**

This Report of the Board was approved by the board of directors on 20 September 2023 and signed on its behalf by:



**Colin Marshall (chair of the board)**  
**20 September 2023**



**James Currie (director)**  
**20 September 2023**



**Marcus Evans (company secretary)**  
**20 September 2023**



## Sovini Limited

### Independent Auditor's Report to the Members of Sovini Limited for the year ended 31 March 2023

#### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2023 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- *have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.*

We have audited the financial statements of Sovini Limited ("the Society") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the Consolidated and Company and Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

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

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

#### Other information

The board are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## **Sovini Limited**

### **Independent Auditor's Report to the Members of Sovini Limited for the year ended 31 March 2023**

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

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

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

#### **Responsibilities of the board**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be FRS 102, the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022 and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and registration of relevant subsidiaries with the Regulator of Social Housing.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

## Sovini Limited

### Independent Auditor's Report to the Members of Sovini Limited for the year ended 31 March 2023

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

##### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be income recognition around year end and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of income recognised around the year end; and
- Assessing significant estimates made by management for bias, such as valuation of tangible and intangible fixed assets, net realisable value of properties developed for sale, valuation of defined benefit scheme assets and liabilities, rental arrears provisioning, valuation of investment properties and share based payment valuation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

#### Use of our report

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

DocuSigned by:  
**BDO LLP**  
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**BDO LLP**  
**Statutory Auditor**  
**Liverpool, UK**  
**Date: 21 September 2023**

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

**Sovini Limited**

**Consolidated and Company Statement of Comprehensive Income  
for the year ended 31 March 2023**

	Note	Group 2023 £'000	Restated* Group 2022 £'000	Company 2023 £'000	Restated* Company 2022 £'000
Turnover	4	92,018	84,276	8,426	8,148
Cost of sales	4	(15,877)	(13,944)	(12)	(10)
Operating costs					
Recurring	4	(59,340)	(51,413)	(10,030)	(8,855)
Non recurring	14	-	(800)	-	-
Total operating costs		(59,340)	(52,213)	(10,030)	(8,855)
Surplus on disposal of fixed assets	4, 10	2,493	3,425	(3)	10
<b>Operating surplus/(deficit)</b>	6	19,294	21,544	(1,619)	(707)
Other interest receivable and similar income		84	5	9	-
Interest and financing costs	11	(9,801)	(8,827)	-	-
Movement in fair value of investment properties	16	252	1,085	-	-
<b>Surplus/(deficit) before taxation</b>		9,829	13,807	(1,610)	(707)
Taxation on surplus/(deficit)	12	(135)	310	405	303
<b>Surplus/(deficit) for the financial year</b>		9,694	14,117	(1,205)	(404)
Actuarial (losses)/gains on defined benefit pension scheme	26	(205)	217	-	-
Loss recognised on cashflow hedges	25	(2,129)	-	-	-
<b>Total comprehensive income/(loss) for year</b>		7,360	14,334	(1,205)	(404)

*\*The prior year restatement is detailed within Note 35 to the accounts*

*The notes on pages 25 to 58 form part of these financial statements.*

**Sovini Limited**

**Consolidated and Company Statement of Financial Position  
as at 31 March 2023**

Company number: 31411R

	Note	Group 2023 £'000	Restated* Group 2022 £'000	Company 2023 £'000	Restated* Company 2022 £'000
<b>Fixed assets</b>					
Tangible fixed assets - housing properties	13	347,527	321,108	-	-
Tangible fixed assets - other	14	9,913	12,969	117	161
Investment properties	16	9,977	9,725	-	-
Intangible assets	15	651	255	-	-
Deferred tax asset		331	153	331	153
		368,399	344,210	448	314
<b>Current assets</b>					
Stocks	18	6,041	5,027	-	-
Debtors - receivable within one year	19	14,804	12,154	1,849	2,160
Cash at bank and in hand		11,518	11,558	1,027	332
		32,363	28,739	2,876	2,492
<b>Creditors: amounts falling due within one year</b>	20	(24,265)	(24,261)	(5,382)	(4,355)
<b>Net current assets/(liabilities)</b>		8,098	4,478	(2,506)	(1,863)
<b>Total assets less current liabilities</b>		376,497	348,688	(2,058)	(1,549)
Creditors: amounts falling due after more than one year	21	(302,667)	(282,150)	(1,322)	(613)
Pension liability	26	(1,463)	(1,526)	-	-
Provision of deferred taxation	27	(273)	(278)	(16)	(29)
<b>Net assets/(liabilities)</b>		72,094	64,734	(3,396)	(2,191)
<b>Capital and reserves</b>					
Share based payment reserve	34	(3,480)	(2,255)	(3,480)	(2,255)
Non-equity share capital	28	-	-	-	-
Revaluation reserve		2,829	2,577	-	-
Cash flow hedge reserve	25	(2,129)	-	-	-
Income and expenditure reserve		74,874	64,412	84	64
		72,094	64,734	(3,396)	(2,191)

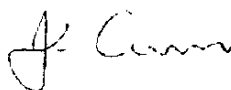
\*The prior year restatement is detailed within Note 35 to the accounts

The notes on pages 25 to 58 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 20 September 2023.



**Colin Marshall (chair of the board)**  
20 September 2023



**James Currie (director)**  
20 September 2023



**Marcus Evans (company secretary)**  
20 September 2023

**Sovini Limited**

**Consolidated Statement of Changes in Equity  
for the year ended 31 March 2023**

	Share based payment reserve	Called up share capital	Cash flow hedge reserve	Revaluation reserve	Income and expenditure reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2022</b>	(2,255)	-	-	2,577	64,412	64,734
(Deficit)/surplus for the year	(1,225)	-	-	252	10,667	9,694
Actuarial losses on SHPS defined benefit pension scheme (note 26)	-	-	-	-	(205)	(205)
Gain recognised on cashflow hedges	-	-	(2,129)	-	-	(2,129)
<b>Other comprehensive income for the year</b>	-	-	(2,129)	-	(205)	(2,334)
<b>Balance at 31 March 2023</b>	<b>(3,480)</b>	<b>-</b>	<b>(2,129)</b>	<b>2,829</b>	<b>74,874</b>	<b>72,094</b>

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

	Restated* Share based payment reserve	Called up share capital	Cash flow hedge reserve	Revaluation reserve	Income and expenditure reserve	Restated* Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2021</b>						
As previously stated	-	-	-	1,492	50,751	52,243
Prior year adjustment (note 35)	(1,843)	-	-	-	-	(1,843)
<b>As restated</b>	<b>(1,843)</b>	<b>-</b>	<b>-</b>	<b>1,492</b>	<b>50,751</b>	<b>50,400</b>
(Deficit)/surplus for the year	(412)	-	-	1,085	13,444	14,117
Actuarial gains on SHPS defined benefit pension scheme (note 26)	-	-	-	-	217	217
Gain recognised on cashflow hedges	-	-	-	-	-	-
<b>Other comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>217</b>
<b>Balance at 31 March 2022</b>	<b>(2,255)</b>	<b>-</b>	<b>-</b>	<b>2,577</b>	<b>64,412</b>	<b>64,734</b>

\*The prior year restatement is detailed within Note 35 to the accounts

The notes on pages 25 to 58 form part of these financial statements.

# Sovini Limited

## Company Statement of Changes in Equity for the year ended 31 March 2023

	Share based payment reserve £'000	Called up share capital £'000	Income and expenditure reserve £'000	Total equity £'000
<b>Balance at 1 April 2022</b>	(2,255)	-	64	(2,191)
(Deficit)/surplus for the year	(1,225)	-	20	(1,205)
<b>Balance at 31 March 2023</b>	<b>(3,480)</b>	<b>-</b>	<b>84</b>	<b>(3,396)</b>

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

	Restated* Share based payment reserve £'000	Called up share capital £'000	Income and expenditure reserve £'000	Restated* Total equity £'000
<b>Balance at 1 April 2021</b>				
As previously stated	-	-	56	56
Prior year adjustment (note 35)	(1,843)	-	-	(1,843)
As restated	(1,843)	-	56	(1,787)
(Deficit)/surplus for the year	(412)	-	8	(404)
<b>Balance at 31 March 2022</b>	<b>(2,255)</b>	<b>-</b>	<b>64</b>	<b>(2,191)</b>

\*The prior year restatement is detailed within Note 35 to the accounts

The notes on pages 25 to 58 form part of these financial statements.

**Sovini Limited**

**Consolidated Statement of Cash Flows  
for the year ended 31 March 2023**

	<b>2023</b>	<b>Restated*</b>
	<b>£'000</b>	<b>2022</b>
		<b>£'000</b>
<b>Cash flows from operating activities</b>		
Surplus for the financial year	9,694	14,117
Adjustments for		
Depreciation of fixed assets - housing properties	9,621	8,662
Accelerated depreciation of fixed assets - housing properties	779	2,242
Depreciation of fixed assets - other	674	829
Depreciation of fixed assets held under finance leases	543	475
Goodwill amortisation	55	218
Amortised capital grant	(711)	(652)
Impairment charged to profit or loss	-	584
Amortised loan fees	452	-
Fair value gain recognised in profit or loss - investment properties	(252)	(1,085)
Movement in shared based payments	1,633	732
Interest payable and finance costs	9,801	8,827
Interest received	(84)	(5)
Taxation expense/(credit)	135	(310)
Surplus on the disposal of fixed assets	(2,493)	(3,425)
Difference between net pension expense and cash contribution (defined benefit)	(307)	(283)
Movement in trade and other debtors	(2,383)	(1,873)
Movement in stocks	(1,014)	(1,090)
Movement in trade and other creditors	(219)	(1,862)
<b>Cash from operations</b>	<b>25,924</b>	<b>26,101</b>
Taxation paid	96	221
<b>Net cash generated from operating activities</b>	<b>26,020</b>	<b>26,322</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets – housing properties	(35,981)	(41,275)
Purchases of fixed assets - other	(713)	(613)
Purchases of investment properties	-	(2)
Purchases of intangible assets	(451)	(368)
Net proceeds on disposal of fixed assets	6,822	5,870
Receipt of grant	4,995	6,292
Interest received	84	5
<b>Net cash used in investing activities</b>	<b>(25,244)</b>	<b>(30,091)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(12,262)	(10,311)
Capital element of lease repaid	(845)	(1,210)
Interest element of lease repaid	(70)	(85)
Payment of refinancing fees	(1,282)	-
New loans - bank	60,500	42,000
Repayment of loans - bank	(46,857)	(24,409)
<b>Net cash (used in)/ generated by financing activities</b>	<b>(816)</b>	<b>5,985</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(40)</b>	<b>2,216</b>
Cash and cash equivalents at beginning of year	11,558	9,342
<b>Cash and cash equivalents at end of year</b>	<b>11,518</b>	<b>11,558</b>

\*The prior year restatement is detailed within Note 35 to the accounts

The notes on pages 25 to 58 form part of these financial statements.



## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023

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## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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#### 1 Legal status

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

#### 2 Accounting policies

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

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

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

#### *Going concern*

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

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

We continue to maintain viable 30 year business plans for our two registered provider partners (OVH and PCHA) and a quality order book for our Sovini Commercial partners which, is committed for several years. As such, our cash flows remain strong and viable. As a consequence of this we continue to forecast strong operating surplus's and hold sufficient financial headroom to enable us to mitigate and manage the outcome of the various stress test and perfect storm scenarios that we have completed on our current Business Plans. We have also increased our Sovini Commercial EBITDA forecasts from £3.7m to £6m at March 2023 to reflect recovery to pre pandemic levels. Following which, we have prudently forecast that our longer term EBITDA to remain relatively static at circa £9m to £10m until 2026/27 and in a position to be able to commence gift aid allocations to OVH and PCHA in line with our agreed policy. As always, we will continue to strive to outperform these targets. Though the company currently reports a net current liability position of £2.5m (Restated 2022: £1.9m) this includes £3.3m (Restated 2022: £2.4m) of unexercised deferred bonus scheme payments within current creditors. Excluding these reflects a £0.8m (Restated 2022: £0.5m) net current asset position.

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

As a key provider of affordable housing, we continue to self-deliver via the Sovini Commercial partners an increasing proportion of our development programme. In 2022/23, we achieved £29.2m of spend, 157 handovers. We also secured additional grant and sales receipts. During the year ahead we plan to spend circa £118.6 (net development funding), to build 989 new homes and acquiring a land pipeline to facilitate this.

Due to the ongoing impact of the Ukraine war and the level of economic risk and uncertainty remains directly outside of our control. We continue to monitor and assess the ongoing impacts and deploy effective controls to minimise any impacts on our operations where at all possible. This includes the deployment of daily processes to manage/monitor our cash flow and continue to review our financial stability and long-term viability.

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### *Basis of consolidation*

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

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

##### *Income*

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

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

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

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

##### *Supported housing schemes*

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

##### *Service charges*

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

##### *Non-recurring admin costs*

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

##### *Recycled Capital Grant Fund*

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

## **Sovini Limited**

### **Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)**

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#### **2 Accounting policies (continued)**

##### ***Current and deferred taxation***

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

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

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

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

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

##### ***Value added tax***

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

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

##### ***Finance costs***

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

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

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

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### *Pension costs*

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

- SHPS

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

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

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

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

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

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

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

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

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### **Depreciation of housing property**

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

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

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

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

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

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

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

##### **Shared ownership properties and staircasing**

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

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

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

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

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### *Tangible fixed assets – other*

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

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

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

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

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

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

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

##### *Intangible fixed assets*

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

##### *Amortisation of intangible fixed assets*

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

Description	Economic Useful Life (years)
Computer software	10

##### *Investment properties*

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

##### *Debtors and creditors*

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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#### 2 Accounting policies (continued)

##### **Government grants**

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

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

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

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

Grants of a revenue nature are recognised in "other operating income" within profit or loss in the same period as the related expenditure.

##### **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

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

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

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

##### **Stock**

- **Shared ownership and outright sale properties**

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

- **Trade Materials**

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



## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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#### 2 Accounting policies (continued)

##### *Holiday pay accrual*

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

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

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

##### *Rent and service charge agreements*

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

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

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

##### *Financial liabilities and equity*

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

##### *Cash and cash equivalents*

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

##### *Leased assets: lessee*

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease. Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

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

##### *Leasehold sinking funds*

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

##### *Share based payments*

When cash settled share based payments are granted the fair value of these are charged to the statement of comprehensive income. The fair value is then revisited at each year and is recognised in the statement of comprehensive income. The accumulated fair value movements are held within a share based payment reserve within equity. Non-market based vesting conditions are monitored in relation to the time elapsed since scheme inception. There are no market based vesting conditions.

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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#### 2 Accounting policies (continued)

##### *Contingent liabilities*

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

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

##### *Reserves*

The revaluation reserve is created from surpluses on asset revaluation.

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

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

- Whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost. The board have also considered impairment based on their assumptions to define cash or asset generating units.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the board's best estimate of sales value based on economic conditions within the area of development.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

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

- Tangible fixed assets

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

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

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

# Sovini Limited

## Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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

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

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

#### • Investment property

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

- income to grow to market rental in year one then thereafter at RPI plus 1%;
- costs of 30% of gross income, and;
- a discount rate of 7.5%.

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

Statement of Comprehensive Income Charge Adjustment	Fair value with sensitised assumption £'000	Variation to current valuation £'000	Credit/charge
<b>Investment properties</b>			
Income growth at RPI	9,170	(9,979)	Charge
Income growth at RPI +2%	10,825	(9,979)	Credit
9% Discount rate	9,835	(9,979)	Charge
6% Discount rate	10,135	(9,979)	Credit
Costs 35% of income	9,340	(9,979)	Charge
Costs 25% of income	10,600	(9,979)	Credit

#### • Rental and other trade receivables (debtors)

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

#### • Share option valuation

Share option estimations in these accounts are prepared by independent valuers. In preparing the figures the valuers use a number of judgements based on generally accepted valuation methodologies and these are considered appropriate given that the options have no market vesting conditions.

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

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

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

- Government grant

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

- Capitalised overheads on developments

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

- Judgements used in preparation of pension fund accounts

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

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

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

GROUP	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2023 £'000
<b>Social housing lettings</b>	70,373	-	(53,391)	-	16,982
<b>Other Social Housing Activities</b>					
First tranche low cost home ownership sales	1,200	(749)	-	-	451
Staircasing activity on low cost home ownership	-	-	-	268	268
Right to buy sales	-	-	-	724	724
Right to acquire sales	-	-	-	635	635
	71,573	(749)	(53,391)	1,627	19,060
<b>Activities other than social housing activities</b>					
Commercial properties rent	291	-	(96)	-	195
Non social housing units rent	671	-	(424)	-	247
Property development, improvement and repair	5,073	(3,407)	(1,326)	-	340
Trade materials sales	14,355	(11,721)	(2,440)	-	194
Movement in deferred bonus scheme	-	-	(1,633)	-	(1,633)
Other	55	-	(30)	866	891
	20,445	(15,128)	(5,949)	866	234
	92,018	(15,877)	(59,340)	2,493	19,294

GROUP	Turnover	Cost of sales	Restated Operating costs	Surplus on disposal of fixed assets	Restated Operating surplus/(deficit)
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
<b>Social housing lettings</b>	66,092	-	(47,865)	-	18,227
<b>Other Social Housing Activities</b>					
First tranche low cost home ownership sales	2,770	(2,053)	-	-	717
Staircasing activity on low cost home ownership	-	-	-	56	56
Right to buy sales	-	-	-	600	600
Right to acquire sales	-	-	-	1,461	1,461
	68,862	(2,053)	(47,865)	2,117	21,061
<b>Activities other than social housing activities</b>					
Commercial properties rent	80	-	(26)	-	54
Non social housing units rent	641	-	(392)	-	249
Property development, improvement and repair	5,840	(4,743)	(1,624)	-	(527)
Trade materials sales	8,770	(7,138)	(1,527)	-	105
Movement in deferred bonus scheme	-	-	(732)	-	(732)
Other	83	(10)	(47)	1,308	1,334
	15,414	(11,891)	(4,348)	1,308	483
	84,276	(13,944)	(52,213)	3,425	21,544

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

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

COMPANY	Turnover	Cost of sales	Operating costs	Operating surplus
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
<b>Activities other than social housing activities</b>				
Management services	8,426	(12)	(10,030)	(1,616)
	8,426	(12)	(10,030)	(1,616)

COMPANY	Turnover	Cost of sales	Restated Operating costs	Restated Operating surplus/ (deficit)
	2022 £'000	2022 £'000	2022 £'000	2022 £'000
<b>Activities other than social housing activities</b>				
Management services	8,148	(10)	(8,855)	(717)
	8,148	(10)	(8,855)	(717)

**5 Units of housing stock**

GROUP	2023 Number	2022 Number
General needs housing		
social	11,042	11,069
affordable	893	818
Low cost home ownership	311	301
Supported housing	1,024	1,054
Intermediate		
buy back properties	12	12
rent to buy	245	181
<b>Total social housing units</b>	<b>13,527</b>	<b>13,435</b>
Market rent	86	86
Leaseholder properties	618	614
<b>Total owned and managed accommodation</b>	<b>14,231</b>	<b>14,135</b>
Units under construction	346	411

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 6 Operating surplus/(deficit)

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
This is arrived at after charging/(crediting):				
Reorganisation costs following a group staffing restructure	51	1	-	-
Depreciation of housing properties				
annual charge	9,621	8,662	-	-
accelerated depreciation on replaced components	1,575	1,073	-	-
Depreciation of tangible fixed assets	674	829	81	56
Depreciation of finance lease assets	543	475	-	-
Amortisation of intangible assets	55	218	-	-
Amortisation of capital grant	(711)	(652)	-	-
Operating lease rentals (other)	924	1,031	-	-
Auditors' remuneration (excluding VAT)				
fees payable to the auditor for the audit of the group's annual accounts	135	134	14	12
fees for tax computations	22	29	2	2
other services	26	25	2	1

Non-recurring administrative expenses of £nil (2022: £800k) were incurred in year. These related to a £nil (2022: £584k) impairment of the head office building and abortive refinancing costs of £nil (2022: £216k).

#### 7 Employees

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Staff costs (including executive management team) consist of:				
Wages and salaries	26,581	26,387	5,482	5,426
Social security costs	2,609	2,487	583	553
Cost of defined contribution scheme	1,187	1,163	304	289
	30,377	30,037	6,369	6,268

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

	Group 2023	Group 2022	Company 2023	Company 2022
Corporate services	190	195	141	141
Customers and neighbourhoods	128	144	-	-
Assets and regeneration	42	39	-	-
Operatives	432	448	-	-
	792	826	141	141

Sovini group employees have access to a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable to the fund and amounted to £1,187k (2022: £1,163k). As at 31 March 2022 there are £184k of unpaid contributions (2022: £181k).

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 8 Directors remuneration

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Directors' emoluments	1,906	1,880	311	349
Amounts receivable under long-term incentive schemes	305	778	68	54
Company contributions to money purchase pension schemes	139	132	25	18
<b>Total</b>	<b>2,350</b>	<b>2,290</b>	<b>404</b>	<b>421</b>

Included in the share based payment charge (note 34) is a value of £1.63m (Restated 2022: £0.73m) in relation to directors remuneration.

#### 9 Board members

GROUP	Remuneration £'000	Sovini Limited Board		Risk and Audit Committee		One Vision Housing Limited board		Pine Court Housing Association board	
		Current member	Date	Current member	Date	Current member	Date	Current member	Date
<b>Continuing</b>									
Colin Marshall	16	Chair							
Roy Williams	-	✓				✓		✓	
Tracey Liggett	-	✓				✓			
Tracey Gore	5					✓			
Gill Ditchburn	3			✓				✓	
Andy Armstrong	7	✓				✓			
Dawn Murray	5					✓			
Moira Woo	2							✓	
Jim Currie	4	✓						✓	
Julia Emelogu	3			✓				✓	
Michael Parkin	7			Chair				✓	
Lelir Yeung	8			✓		Chair			
Steve Gow	6							Chair	
Peter Crosby	8					✓			
<b>Resignations</b>									
Lelir Yeung	8			✗	Sep 2022				
Peter Crosby	8					✗	Sep 2022		
<b>Appointments</b>									
Peter Crosby	8			✓	Sep 2022				
Michael Ponting	3	✓	Nov 2022						



Sovini Limited

Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)

9 Board members (continued)

COMPANY	Remuneration  £'000	Sovini Limited Board		Risk and Audit Committee		Remuneration Committee	
		Current member	Date	Current member	Date	Current member	Date
Continuing							
Colin Marshall	16	Chair					
Roy Williams		✓					
Tracey Liggett		✓					
Gill Ditchburn	3			✓			
Michael Parkin	5			Chair			
Andy Armstrong	2	✓				✓	
Jim Currie	2	✓					
Resignations							
Lelir Yeung				✗	Sep 2022		
Appointments							
Peter Crosby				✓	Sep 2022		
Michael Ponting	3	✓	Nov 2022				

10 Surplus on disposal of fixed assets

GROUP	Staircasing activity 2023 £'000	Right to buy 2023 £'000	Right to acquire 2023 £'000	Other fixed assets 2023 £'000	Total 2023 £'000	Total 2022 £'000
Disposal proceeds	1,223	2,089	728	3,480	7,520	7,794
Cost of disposals	(955)	(616)	(93)	(2,614)	(4,278)	(3,525)
Loss due to RTB sharing agreement	-	(749)	-	-	(749)	(844)
Surplus on disposal of fixed assets	268	724	635	866	2,493	3,425

11 Interest payable and similar charges

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000	✓ SL 2023 £'000	✓ OVH 2023 £'000
Bank loans and overdrafts	11,580	10,150	-	-	-	11,435
Capitalisation of interest	(1,890)	(1,498)	-	-	-	(1,890)
Refinancing cost	1,271	93	-	-	-	1,269
Capitalisation of refinancing cost	(1,269)	(43)	-	-	-	(1,267)
Interest on finance leases	70	85	-	-	-	-
Net interest on net defined benefit liability	39	40	-	-	-	32
	9,801	8,827	-	-	-	9,579

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 12 Taxation on surplus on ordinary activities

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

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
UK corporation tax				
Current tax on surplus/(deficit) for the year	555	21	16	-
Adjustment in respect of previous periods	(7)	-	-	-
<b>Total current tax</b>	<b>548</b>	<b>21</b>	<b>16</b>	<b>-</b>
Deferred tax				
Origination and reversal of timing differences	(395)	(198)	(423)	(170)
Adjustment in respect of prior year	(51)	-	2	-
Effect of tax rate change on opening balance	33	(133)	-	(133)
	(413)	(331)	(421)	(303)
<b>Taxation on surplus/(deficit) on ordinary activities</b>	<b>135</b>	<b>(310)</b>	<b>(405)</b>	<b>(303)</b>

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

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
Surplus/(deficit) on ordinary activities before tax	9,829	13,807	(1,610)	(707)
<b>Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2022 - 19%)</b>	<b>1,868</b>	<b>2,623</b>	<b>(306)</b>	<b>(134)</b>
Effects of				
Adjustment in respect of previous periods - current tax	(7)	-	-	-
Adjustment in respect of previous periods - deferred tax	(50)	(206)	2	-
Group relief	-	-	-	6
Amounts related to other comprehensive income	(3)	(1)	-	-
Expenses not deductible for tax purposes	13,793	(2,651)	2	-
Fixed asset timing differences	31	70	(2)	-
Remeasurement of deferred tax for changes in tax rates	(61)	(123)	(101)	(175)
Income not subject to tax	(15,436)	(28)	-	-
Chargeable losses	-	(20)	-	-
Deferred tax not recognised	-	26	-	-
<b>Total tax charge/(credit) for year</b>	<b>135</b>	<b>(310)</b>	<b>(405)</b>	<b>(303)</b>

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**13 Tangible fixed assets – housing properties**

GROUP	Shared ownership completed £'000	Supported housing completed £'000	General needs completed £'000	Shared ownership works under construction £'000	General needs works under construction £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2022</b>	25,741	12,447	316,839	6,927	27,386	389,340
Additions						
Construction costs	-	-	-	2,613	26,000	28,613
Replaced components	-	316	9,667	-	-	9,983
Completed schemes	2,119	-	21,689	(2,119)	(21,689)	-
Disposals						
stair-casing sales	(955)	-	-	-	-	(955)
right to buy/acquire sales	-	-	(822)	-	-	(822)
commercial disposals	-	-	-	-	-	-
replaced components	-	(112)	(2,242)	-	-	(2,354)
Reclassification of housing tenure	-	73	(73)	-	-	-
<b>At 31 March 2023</b>	26,905	12,724	345,058	7,421	31,697	423,805
<b>Depreciation</b>						
<b>At 1 April 2022</b>	-	(4,717)	(63,515)	-	-	(68,232)
Charge for the year	-	(560)	(9,061)	-	-	(9,621)
Eliminated on disposals:						
commercial disposals	-	-	-	-	-	-
replaced components	-	60	1,515	-	-	1,575
Reclassification of housing tenure	-	89	(89)	-	-	-
<b>At 31 March 2023</b>	-	(5,128)	(71,150)	-	-	(76,278)
<b>Net book value at 31 March 2023</b>	26,905	7,596	273,908	7,421	31,697	347,527
<b>Net book value at 31 March 2022</b>	25,741	7,730	253,324	6,927	27,386	321,108

The reclassification of housing tenure of £73k (2022: £1,277k) relates to tenancy based changes in housing tenure between general needs and supported housing.

**Company**

The company has no housing properties.

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**14 Other tangible fixed assets**

GROUP	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Other £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2022	1,100	10,956	8,352	20,408
Additions	-	-	713	713
Disposals	-	(6,670)	(164)	(6,834)
<b>At 31 March 2023</b>	<b>1,100</b>	<b>4,286</b>	<b>8,901</b>	<b>14,287</b>
<b>Depreciation and Impairment</b>				
At 1 April 2022	217	4,388	2,834	7,439
Charge for year	-	142	1,075	1,217
Disposals	-	(4,192)	(90)	(4,282)
<b>At 31 March 2023</b>	<b>217</b>	<b>338</b>	<b>3,819</b>	<b>4,374</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>883</b>	<b>3,948</b>	<b>5,082</b>	<b>9,913</b>
<b>At 31 March 2022</b>	<b>883</b>	<b>6,568</b>	<b>5,518</b>	<b>12,969</b>

The net book value of plant, machinery and vehicles for the company includes an amount of £2,510k (2022: £3,023k) in respect of assets held under finance leases and hire purchase contracts.

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

Impairment of other tangible fixed assets of £nil (2022: £584k) has been treated as a non-recurring administrative expense during the year.

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

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

COMPANY	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost or valuation</b>			
<b>At 1 April 2022</b>	44	210	254
Additions	-	40	40
Disposals	(10)	-	(10)
Transfer	(34)	34	-
<b>At 31 March 2023</b>	-	284	284
<b>Depreciation</b>			
<b>At 1 April 2022</b>	9	84	93
Charge for year	-	81	81
Disposals	(7)	-	(7)
Transfer	(2)	2	-
<b>At 31 March 2023</b>	-	167	167
<b>Net book value</b>			
<b>At 31 March 2023</b>	-	117	117
<b>At 31 March 2022</b>	35	126	161

**15 Intangible assets**

GROUP	Goodwill on acquisition £'000	Software £'000	Total £'000
<b>Cost or valuation</b>			
<b>At 1 April 2022</b>	4,117	301	4,418
Additions	-	451	451
<b>At 31 March 2023</b>	4,117	752	4,869
<b>Amortisation</b>			
<b>At 1 April 2022</b>	4,117	46	4,163
Charge for year	-	55	55
<b>At 31 March 2023</b>	4,117	101	4,218
<b>Net book value</b>			
<b>At 31 March 2023</b>	-	651	651
<b>At 31 March 2022</b>	-	255	255

Software includes £600k (2022: £209k) which relates to the ongoing development of a housing management IT system.

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 15 Intangible assets (continued)

##### Company

The company has no intangible assets.

#### 16 Investment properties

	Group Market rent £'000
At 1 April 2022	9,725
Revaluations	252
At 31 March 2023	9,977

"Jones Lang LaSalle Limited", is a general practice firm providing surveying and valuation services across the country. The valuer is "independent" and the valuation is as at 31 March 2023 and has been carried out in accordance with the current RICS Red Book.

The aggregate of the Individual Market Values of the 86 market rented units for accounts purposes is £9,977k as per the JLL valuation. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

The gain on revaluation of investment property arising of £252k (2022: £1,085k gain) and the other movements of £nil (2022: £nil) have been credited to the Statement of Comprehensive Income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2023 £'000	2022 £'000
Historic cost	7,540	7,540
Accumulated depreciation	(1,499)	(1,349)
Total	6,041	6,191

##### Company

The company has no investment properties.

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 17 Fixed asset investments

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

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

Sovini Homes Limited (Company number 08310733) has taken advantage of the exemption from audit under section 479a of the Companies Act 2006 following the guarantee provided by Sovini Limited under section 479C of the Companies Act 2006.

#### 18 Stocks

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Completed first tranche shared ownership properties	2,520	1,755	-	-
Property assets in the course of construction	458	259	-	-
Finished goods and goods for resale	3,063	3,013	-	-
	6,041	5,027	-	-

Properties under construction include capitalised interest of £nil (2022: £nil).

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**19 Debtors**

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
Due within one year				
Rent and service charge arrears	4,950	4,792	-	-
Less: Provision for doubtful debts	(3,246)	(3,218)	-	-
	1,704	1,574	-	-
Trade receivables	3,712	2,983	1	-
Amounts owed by group undertakings	-	-	192	943
Tenant rechargeable works	12	14	-	-
Other debtors	2,473	1,782	44	2
Prepayments and accrued income	5,146	4,382	783	616
Other taxation and social security payable	611	540	-	-
Fair value of derivative	312	-	-	-
Deferred tax asset	829	599	829	599
Corporation tax	5	280	-	-
	14,804	12,154	1,849	2,160

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

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
Loans and borrowings (note 24)	192	1,418	-	-
Trade creditors	2,914	2,248	222	116
Amounts owed to group undertakings	-	-	1,005	824
Rent and service charges received in advance	3,322	3,436	-	-
Taxation and social security	1,487	1,271	377	292
Other creditors	1,230	1,173	37	26
Corporation tax	369	-	16	-
Recycled capital grant fund (note 23)	54	54	-	-
Deferred capital grant (note 22)	743	686	-	-
Accruals and deferred income	9,666	10,665	407	703
Obligations under finance lease and hire purchase contracts (note 25)	970	916	-	-
Deferred bonus scheme (note 34)	3,318	2,394	3,318	2,394
	24,265	24,261	5,382	4,355

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



**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

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

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
Loans and borrowings (note 24)	247,640	233,601	-	-
Deferred capital grant (note 22)	50,617	46,390	-	-
Obligations under finance lease and hire purchase contracts (note 24)	647	1,546	-	-
Fair value of derivative	2,441	-	-	-
Deferred bonus scheme (note 34)	1,322	613	1,322	613
	302,667	282,150	1,322	613

**22 Deferred capital grant**

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
<b>At beginning of year</b>	47,076	43,122	-	-
Grant additions in year	4,995	4,606	-	-
Released to income during the year	(711)	(652)	-	-
<b>At end of year</b>	51,360	47,076	-	-
Grants due for release less than one year (note 20)	743	686	-	-
Grants due for release more than one year (note 21)	50,617	46,390	-	-
	51,360	47,076	-	-

**23 Recycled capital grant fund**

GROUP	2023 £'000	2022 £'000
<b>At 1 April</b>	54	18
Recycling of grant Recycled in year	-	36
<b>At 31 March</b>	54	54
<b>Amounts 3 years or older where repayment may be required</b>	54	54

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

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**24 Loans and borrowings**

**Group Loan Structure**

Funder	Type	Drawdown Date	Maturity Date	Amount £m	Interest Rate %
Barclays (RCF)	Variable	22/03/2023	22/06/2023	15.00	4.53%
Barclays (RCF)	Variable	23/03/2023	23/06/2023	3.00	4.53%
Barclays (RCF)	Variable	11/01/2023	11/04/2023	4.00	4.53%
Barclays (RCF)	Variable	09/02/2023	09/05/2023	3.00	5.03%
Barclays (RCF)	Variable	09/03/2023	09/06/2023	11.00	4.03%
Barclays (RCF)	Variable	16/02/2023	16/05/2023	2.00	5.03%
Barclays (RCF)	Variable	30/03/2023	30/06/2023	4.00	4.53%
Barclays (RCF)	Variable	15/02/2023	15/05/2023	2.00	5.03%
Barclays (RCF)	Variable	24/02/2023	24/05/2023	6.00	5.03%
Barclays (RCF)	Variable	23/03/2023	23/06/2023	4.00	4.53%
Barclays (RCF)	Variable	13/01/2023	13/04/2023	7.00	4.53%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2042	13.00	4.85%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2044	13.00	4.85%
M&G Note Purchase - 2014	Fixed	17/07/2014	17/07/2046	14.00	4.85%
M&G Note Purchase - 2016	Fixed	01/04/2016	01/04/2048	15.00	4.19%
M&G Note Purchase - 2017 (Tranche 1)	Fixed	06/04/2017	06/04/2036	10.00	3.30%
M&G Note Purchase - 2017 (Tranche 2)	Fixed	06/04/2017	06/04/2036	10.00	3.40%
M&G Note Purchase - 2018	Fixed	21/12/2018	21/12/2043	30.00	3.70%
Orchardbrook	Fixed	01/04/2000	31/03/2041	0.93	10.91%
Orchardbrook	Fixed	15/12/2009	30/09/2047	0.18	9.92%
RBS - Facility B	Fixed	18/07/2014	30/10/2041	30.00	7.45%
RBS - Facility B	Variable	18/07/2017	30/10/2041	10.00	5.52%
RBS - Facility C	Fixed	21/09/2022	21/09/2047	37.50	5.06%
RBS A	Fixed	06/12/2006	01/02/2025	0.31	6.82%
RBS A	Fixed	06/12/2006	01/02/2025	0.18	2.88%
RBS B	Fixed	31/10/2019	06/12/2031	1.32	3.15%
THFC	Fixed	05/10/2011	05/10/2043	3.00	5.20%
Loan Fees*				-1.58	

\*Capitalised refinancing costs on undrawn facilities

**247.84**

Maturity of debt:

	Bank loans	Finance leases	Total
	2023	2023	2023
	£'000	£'000	£'000
In one year or less, or on demand	192	970	1,162
In more than one year but not more than two years	213	529	742
In more than two years but not more than five years	66,062	111	66,173
In more than five years	181,365	7	181,372
	247,832	1,617	249,449
	Bank loans	Finance leases	Total
	2022	2022	2022
	£'000	£'000	£'000
In one year or less, or on demand	1,418	916	2,334
In more than one year but not more than two years	1,436	940	2,376
In more than two years but not more than five years	85,036	606	85,642
In more than five years	147,129	-	147,129
	235,019	2,462	237,481

# Sovini Limited

## Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

### 24 Loans and borrowings (continued)

	Loan balance 2023 £'m	Split 2023 %	Weighted 2023 %	Average 2023 %
Fixed	176.83	71.35%		4.90%
Variable	71.00	28.65%		4.56%
	247.83	100.0%	4.80%	

	Loan balance 2022 £'m	Split 2022 %	Weighted 2022 %	Average 2022 %
Fixed	183.02	77.87%		4.60%
Variable	52.00	22.13%		1.79%
	235.02	100.0%	3.98%	

Loans are secured by specific charges on the housing properties of the Associations. The loans bear interest at fixed and variable rates ranging from 2.88% to 10.91%.

At 31 March 2023, the group had undrawn loan facilities of £223m (2022: £104m).

### 25 Financial instruments

The carrying value of the financial assets and liabilities include:

	2023 £'000	2022 £'000
Assets measured at amortised cost		
Debtors	7,901	6,353
Cash and cash equivalents	11,518	11,558
Liabilities measured at amortised cost		
Loans & Finance Lease Liabilities	(249,449)	(237,481)
Trade creditors	(13,810)	(14,086)
Derivatives		
Assets	312	-
Liabilities	(2,441)	-
Total	(245,969)	(233,656)

Where financial instruments are measured in the statement of financial position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (that is derived from prices).

Level 3 – Inputs from the asset or liability that are not based on observable market data (that is, unobservable inputs).

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**25 Financial instruments (continued)**

Derivative financial instruments are interest rate swaps designed to hedge the interest rate risk associated with the variability of cashflows on variable rate loans. Savills plc were retained by the the group to value derivatives at fair value using a discounted cash flow methodology.

All of the group's derivatives are carried at fair value. Fair value measurement is provided by the group's external advisors and is categorised as Level 2. The valuation techniques include discounted cash flow pricing models with observable inputs. The most significant inputs into those models are interest rate yield curves, developed from publicly quoted rates and market available information. All valuations have been compared to similar market transactions or alternative third-party pricing services to ensure current market conditions are properly represented.

For all other financial instruments fair value equates to book value.

Periods in which the nominal cash flows associated with hedge accounting are expected to occur:

	2023 £'000	2023 £'000	2022 £'000	2022 £'000
	Assets	Liabilities	Assets	Liabilities
Interest rate swap				
In one year or less	1,674	(1,353)	-	-
Between one and two years	1,493	(1,349)	-	-
Between two and five years	3,797	(4,050)	-	-
In five years or more	58,085	(61,838)	-	-
<b>Total</b>	<b>65,049</b>	<b>(68,590)</b>	<b>-</b>	<b>-</b>
			2023 £'000	2022 £'000
Nominal values of the above				
Cash flow hedge			37,500	-
<b>Total</b>			<b>37,500</b>	<b>-</b>

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 26 Pensions - SHPS

<i>Present values of defined benefit obligation, fair value of assets and defined benefit liability</i>	Year ended 31 March 2023	Year ended 31 March 2022
<b>GROUP</b>	<b>£'000</b>	<b>£'000</b>
Fair value of planned assets	6,402	9,362
Present value of defined benefit obligation	(7,865)	(10,888)
<b>Net defined benefit liability to be recognised</b>	<b>(1,463)</b>	<b>(1,526)</b>

<i>Reconciliation of opening and closing balances of the defined benefit obligation</i>	Year ended 31 March 2023	Year ended 31 March 2022
	£'000	£'000
Defined benefit obligation at start of period	10,888	11,608
Current service costs	-	-
Expenses	8	8
Interest expenses	300	247
Contributions by plan participants	-	-
Actuarial losses/(gains) due to scheme experience	(53)	248
Actuarial (gains)/losses due to changes in demographic assumptions	(19)	(176)
Actuarial (gains)/losses due to changes in financial assumptions	(2,976)	(772)
Benefits paid and expenses	(283)	(275)
<b>Defined benefit obligation at end of period</b>	<b>7,865</b>	<b>10,888</b>

<i>Reconciliation of opening and closing balances of the fair value of plan assets</i>	Year ended 31 March 2023	Year ended 31 March 2022
	£'000	£'000
Fair value of plan assets at start of period	9,362	9,622
Interest income	261	207
Experience on plan assets (excluding amounts included in interest income) - (loss)/gain	(3,253)	(483)
Contributions by employer	315	291
Contributions by plan participants	-	-
Benefits paid and expenses	(283)	(275)
<b>Fair value of plan assets at end of period</b>	<b>6,402</b>	<b>9,362</b>

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was £2,992k (2022: £276k).

<i>Defined benefit costs recognised in statement of comprehensive income (SOC)</i>	Year ended 31 March 2023	Year ended 31 March 2022
Current service costs	-	-
Expenses	8	8
Net interest expense	39	40
<b>Defined benefit costs recognised in statement of comprehensive income (SOC)</b>	<b>47</b>	<b>48</b>

**Sovini Limited**

**Notes Forming Part of the Financial Statements  
for the year ended 31 March 2023 (continued)**

**26 Pensions - SHPS (continued)**

<b>Defined benefit costs recognised in other comprehensive income</b>	<b>Year ended 31 March 2023 £'000</b>	<b>Year ended 31 March 2022 £'000</b>
Experience on plan assets (excluding amounts included in interest income) - (loss)/gain	(3,253)	(483)
Experience gains and losses arising on the plan liabilities - (loss)/gain	53	(248)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	19	176
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	2,976	772
<b>Total amount recognised in other comprehensive income - gain/(loss)</b>	<b>(205)</b>	<b>217</b>

<b>Assets</b>	<b>Year ended 31 March 2023 £'000</b>	<b>Year ended 31 March 2022 £'000</b>
Global equity	119	1,797
Absolute return	70	376
Distressed opportunities	194	335
Credit relative value	241	312
Alternative risk premium	12	309
Emerging market debt	34	272
Risk sharing	472	308
Insurance - linked securities	162	218
Property	276	253
Infrastructure	731	667
Private debt	285	240
Opportunistic illiquid credit	274	314
High Yield	22	81
Opportunistic credit	-	33
Cash	46	32
Corporate bond funding	-	624
Long lease property	193	241
Secure income	293	349
Liability driven investment	2,949	2,612
Currency Hedging	12	(37)
Net current assets	17	26
<b>Total assets</b>	<b>6,402</b>	<b>9,362</b>

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

<b>Key assumptions</b>	<b>Year ended 31 March 2023 % per annum</b>	<b>Year ended 31 March 2022 % per annum</b>
Discount rate	4.88%	2.79%
Inflation (RPI)	3.20%	3.61%
Inflation (CPI)	2.74%	3.21%
Salary growth	3.74%	4.21%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	

# Sovini Limited

## Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

### 26 Pensions - SHPS (continued)

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life Expectancy at age 65 (Years)
Male retiring in 2021	21
Female retiring in 2021	23.4
Male retiring in 2041	22.2
Female retiring in 2041	24.9

### 27 Deferred taxation

#### Deferred tax liabilities

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
At 1 April 2022	(278)	(267)	(29)	(11)
Credited/(debited) to profit or loss	5	(11)	13	(18)
At 31 March 2023	(273)	(278)	(16)	(29)

#### Deferred tax assets

	Group 2023 £	Restated Group 2022 £	Company 2023 £	Restated Company 2022 £
At 1 April 2022	752	432	752	432
Credited to profit or loss	408	320	408	320
At 31 March 2023	1,160	752	1,160	752

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

### 28 Non-equity share capital

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
At 1 April	3	3	3	3
Shares issued in the year	1	-	1	-
Shares cancelled in the year	-	-	-	-
At 31 March	4	3	4	3

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

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 29 Commitments under operating leases

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Note later than 1 year	533	528	-	-
Later than 1 year and not later than 5 years	401	586	-	-
Later than 5 years	-	-	-	-
	934	1,114	-	-

#### 30 Capital commitments

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Commitments contracted but not provided for Construction	84,829	75,912	-	-
Commitments approved by the board but not contracted for Construction	53,986	57,059	-	-
	138,815	132,971	-	-

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Social housing grant	11,050	15,012	-	-
New and existing loans	120,513	109,661	-	-
Sales of properties	7,252	8,298	-	-
	138,815	132,971	-	-

#### 31 Related party disclosures

##### *Subsidiary Undertakings*

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

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

The One Vision Housing board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year for the member was £5,077 (2022: £4,878) and the tenant had a year end rent account credit balance of £106 (2022: £494 credit).



## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 32 Contingent liabilities

##### *Grants on amalgamation*

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

##### *Social Housing Pension Scheme*

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

#### 33 Net debt reconciliation

	At 1 April 2022 £'000	Cash flows £'000	New finance leases £'000	Other non- cash changes £'000	At 31 March 2023 £'000
Cash at bank and in hand	11,558	(40)	-	-	11,518
Obligations under finance leases	(2,462)	845	-	-	(1,617)
Bank loans	(235,019)	(12,361)	-	(452)	(247,832)
<b>Total</b>	<b>(225,923)</b>	<b>(11,556)</b>	<b>-</b>	<b>(452)</b>	<b>(237,931)</b>

#### 34 Share based payments

The company operates a cash settled share-based payment schemes ("deferred bonus scheme") which is split between an 'A share' scheme and a 'B share' scheme.

The 'A share' scheme was inceptioned in August 2016 and would vest if the eligible employee is employed over the vesting period, which is 10 years. If unexercised the scheme would expire in August 2026. There were no amendments to the arrangements during the year.

The 'B share' scheme was inceptioned in November 2019 and would vest on the earlier of (a) if the eligible employee is employed over the vesting period of 10 years or (b) 1 year after all A shares are exercised or forfeited. If unexercised the scheme would expire in November 2030. There were no amendments to the arrangements during the year.

Bonus Scheme	Number 2023	Number 2022
<b>A Shares</b>		
Outstanding at beginning of the year	2,736	2,736
Granted/(forfeited) during the year	-	-
Outstanding at end of the year	2,736	2,736
<b>B Shares</b>		
Outstanding at beginning of the year	1,300	2,000
Forfeited during the year	-	(700)
Outstanding at end of the year	1,300	1,300
<b>Outstanding at end of the year</b>	<b>4,036</b>	<b>4,036</b>

## Sovini Limited

### Notes Forming Part of the Financial Statements for the year ended 31 March 2023 (continued)

#### 34 Share based payments (continued)

Of the total shared based payments outstanding at end of the year, the 2,736 A shares (Restated 2022: 2,736 shares) had vested but none were exercised at the end of the year. None of the B shares had vested by the end of the current or prior year.

A sum of the parts valuation methodology was used to estimate the year end valuation as this is consistent with generally accepted valuation methodologies and appropriate given that the options have no market vesting conditions.

The cash settled share-based remuneration expenses comprise of:

	Group 2023 £'000	Restated Group 2022 £'000	Company 2023 £'000	Restated Company 2022 £'000
Deferred bonus scheme	1,633	732	1,633	732

The company did not enter into any deferred bonus scheme transactions during the current or prior year.

#### 35 Prior period adjustment

There has been one prior year adjustment identified during the year.

##### GROUP

Recurring operating costs for the year ended 31 March 2022 (note 4), has increased by £0.7m, being amounts relating to a cash- settled share based payment scheme (note 34) which had not previously been recognised in the financial statements by error. There was also a deferred tax credit recognised against this charge of £0.3m. The adjustment has increased creditors falling due within one year by £2.4m from £21.9m to £24.3m, creditors falling due after more than one year by £0.6m from £281.5m to £282.1m and increased the Deferred tax asset from £nil to £0.7m.

The cumulative share based payment charge omitted, net of deferred tax credit, was £2.3m with £0.4m being the total net charge for the 2022 financial year and £1.9m as an adjustment to the retained earnings of the group as at 31 March 2021.

##### COMPANY

Recurring operating costs for the year ended 31 March 2022 (note 4), has increased by £0.7m, being amounts relating to a cash- settled share based payment scheme (note 34) which had not previously been recognised in the financial statements by error. There was also a deferred tax credit recognised against this charge of £0.3m. The adjustment has increased creditors falling due within one year by £2.4m from £2.0m to £4.4m, creditors falling due after more than one year by £0.6m from £nil to £0.6m and increased the Deferred tax asset from £nil to £0.7m.

The cumulative share based payment charge omitted, net of deferred tax credit, was £2.3m with £0.4m being the total net charge for the 2022 financial year and £1.9m as an adjustment to the retained earnings of the group as at 31 March 2021.