OCEAN HOUSING

FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2022

COMMUNITY BENEFIT
REGISTERED SOCIETY NUMBER: 30521R

REGULATOR OF SOCIAL HOUSING
REGISTRATION NUMBER: LH4248

DIRECTORS AND ADVISORS
FOR THE YEAR ENDED 31 MARCH 2022

THE BOARD
Andrea Smith (Chair)
Louise Barnden
Kevin Pearce (Resigned 1st April 2021)
Frances Turner
Karen Littler
Christopher Spencer (Resigned 1st April 2021)
Christopher Grose
Rachel Bayliss (Appointed 1st April 2021)
Mark Gardner (Appointed 1st April 2021)

COMPANY SECRETARY
Frances Turner (Managing Director)

EXECUTIVE DIRECTOR
Frances Turner (Managing Director)

EXTERNAL AUDITOR
KPMG LLP
Suite 23
BLOCK
Royal William Yard
Plymouth
PL1 3RP

INTERNAL AUDITOR
RSM Ltd
Second Floor
1 The Square
Temple Quay
Bristol
BS1 6DG

THE REGISTERED OFFICE IS AT:
Stennack House, Stennack Road
St Austell
Cornwall
PL25 3SW

PRINCIPAL SOLICITORS
Trowers & Hamlins
The Senate
Southernhay Gardens
Exeter
EX4 1UG

FUNDERS
Abbey National Treasury Services
2 Triton Square
Regent's Place
London
NW1 3AN

M&G Investments
Laurence Pountney Hill
London
EC4R 0HH

MetLife Investment Management Ltd
Level 34
One Canada Square
London
E14 5AA

BANKERS
NatWest plc
1 Church Street
St Austell
PL25 4AW

FUNDING ADVISERS
Intermedium Ltd
48 Lymington Bottom Road
Medstead
Hampshire
GU34 5EW

Ocean Housing Limited is a Registered Society under The Co-operative and Community Benefit Society Act 2014 (Registered in England: Number 30521R) and is a Registered Provider with the Regulator of Social Housing (Registration Number LH4248).

It is a member of the Ocean Housing Group of companies and wholly controlled by Ocean Housing Group Limited, a company limited by guarantee registered in England (Company Number 5000720) and also a Registered Provider with the Homes and Communities Agency (Registration Number L4422).

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The Board presents its report and audited financial statements for the year ended 31 March 2022.

INTRODUCTION
Ocean Housing Limited is a Registered Society under The Co-operative and Community Benefit Society Act 2014 and Registered Provider of social housing with the Regulator for Social Housing. The Company was established in 1998 as Restormel Housing Trust to affect a Large-Scale Voluntary Transfer from Restormel Borough Council of 3,502 former council houses and related assets which took place in February 2000. In May 2004, the Company became a subsidiary of Ocean Housing Group Limited.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
The principal activity of the Company is the provision of social housing. The Company is a registered housing association, and its primary objective is to provide quality homes for its tenants and to build new affordable homes for those in need within Cornwall.

COMPANY MISSION AND KEY OBJECTIVES
The Company adopts the Group mission which states that it wants:
"To be an innovative provider of quality homes and services with residents and staff at the heart of Ocean, and Ocean at the heart of the community".

THE 5 KEY OBJECTIVES ARE:

- Have residents at the heart of everything we do
- Maintain strong and effective Governance
- Provide good quality services, right first time
- Provide innovative, energy efficient, good quality homes
- Be an employer of choice

THE COMPANY'S CONSTITUTION AND THE BOARD
As detailed in the publicly available rules, the full Board has 7 members, 5 of which are non-executive. The Board meets at least four times a year. At 31 March 2022 there were no vacancies on the Board.

REVIEW OF THE BUSINESS
The financial statements for 2021/22 gave rise to a surplus before tax of £3,805,000 (2021: £343,000 deficit) after receipt of £nil (2021: £nil) gift aid from other group companies. The substantial reason for the significant improvement in the surplus between years being the impact of a refinancing exercise that took place in 2020/21. In 2020/21 Ocean's treasury strategy saw the refinancing of a £65 million loan. This was a successful exercise generating long term interest savings but gave rise to £3.2 million breakage costs from early repayment of the existing debt. The breakage cost was written off to interest costs in 2020/21 pushing an underlying operating surplus into an overall pre-tax deficit. The interest savings from the refinancing commenced in 2021/22 and along with increased surplus from asset disposal the overall pre-tax surplus moved positively by a further £900,000 from 2020/21 to 2021/22. During the year, debt remained at £155 million, and the business used up cash reserves to fund developments. The level of cash-holding fell from £11.5 million at the start of the year to £5.5 million as at 31 March 2022.

4,689

AFFORDABLE HOMES OWNED AND MANAGED BY OCEAN HOUSING LIMITED AT 31 MARCH 2022

The Company remains committed to the development of new social housing in addition to managing of existing properties. Existing agreed and secure loan facilities support the Boards' development ambitions to 2030. Through the Group Boards' New Homes Strategy, the Company has an ambition to build 657 new affordable homes to 2030. During 2021/22 the impact of Covid on outputs has seen new build development and planned maintenance projects slightly delayed, although not material. The year was also characterised by the need for catchup on responsive repairs deferred following the first Covid lockdowns in 2020/21. However, the Covid impact has had no impact on Oceans' financial viability, and it is to be noted that rent collection performance remained strong with arrears at 31 March 2022 lower than the previous year and pre-Covid years at 0.9%.

The Company, as part of the Ocean Housing Group and as a standalone entity, complies with all regulatory standards. The results of the Company are incorporated in the consolidated financial statements of Ocean Housing Group Limited. No separate Strategic Report or Value for Money statement is included in these Financial Statements as it is contained in the consolidated financial statements. This document is available on request from the registered office address.

OCEAN HOUSING AFFORDABLE HOUSING STOCK
At the 31 March 2022, Ocean Housing Limited owned and managed 4,689 (2021: 4,640) affordable homes. An analysis of the Company's assets is as follows:

	2022	2021
Social rented, general needs	**2,919**	2,897
Social rented, housing for older persons	**625**	625
Affordable rented	**367**	367
Intermediate rented	**277**	266
Other rented	**14**	14
Sub Total	**4,202**	4,169
Shared ownership	**487**	471
Total	**4,689**	4,640
Leasehold properties	**142**	140
Garages and car spaces	**568**	574
Shops and community halls	**5**	2

EMPLOYEES
At 31 March 2022 the number of employees was 134 (2021: 140). During the year ended 31 March 2022 the Company employed an average of 126 full time equivalent staff (2021: 130).

TREASURY MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company carried a £205 million loan facility throughout the year with no new drawings of this facility in 2021/22. As such, at 31 March 2022, the Company had outstanding loans amounting to £155.0 million (2021: £155.0 million) with funding secured for a further £50.0 million (2021: £50.0 million). The Company has housing assets held in its Statement of Financial Position of £242 million (2021: £232 million).

Treasury strategy and operations are managed within Ocean Housing Limited by the Deputy Group Chief Executive through parameters set down by the Group Board in its Treasury Management Strategy and Group Investment Policy. This activity is reported to and monitored by the Group Board and the Company's Board. The process is subject to review by external and internal auditors as well as the Groups treasury advisor.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees the management of these risks as summarised below:

INTEREST RATE RISK

The Company finances its operations through a potential mixture of generated surpluses, revolving credit facility and long-term loan facilities. The Company portfolio is typically a mix of floating and fixed rates through its long-term facilities and revolving credit facility. At the year-end 100% (2021: 100%) of the Company's borrowings were at fixed rates of interest.

LIQUIDITY RISK

Continuity of funding is ensured by arranging borrowings and committed facilities and by limiting the amount of debt repayable in any one year. At the year-end undrawn facilities from the Santander revolving credit facility amounted to £50 million (2021: £50 million). The average maturity of net debt is shown in note 12.

HEALTH AND SAFETY

The Company recognises its responsibilities under Health and Safety at work legislation and, as far as is reasonably practicable, provides and maintains a safe working environment for all staff. The Company has adopted the comprehensive Group Health and Safety Policy and this Policy is regularly reviewed. Within the Group there is a Health and Safety Committee, which meets three times a year. During 2021/22, the Ocean Group maintained its health and safety accreditation to ISO 45001 standard.

ENVIRONMENTAL POSITION

The Company recognises its responsibilities under environmental legislation and is committed to promoting and delivering its services in the most sustainable manner including the investment in new technologies when the opportunity permits. The Group has an Environmental Policy and a sound framework of procedures supporting this. During 2021/22, the Ocean Group maintained its environmental accreditation to ISO 14001 standard.

The Ocean Group and its companies strengthened their environmental aspirations during 2021/22 and are actively looking to improve performance in the areas of tenant fuel poverty, energy efficiency, carbon emissions and environmental planning and landscaping on estates still further.

RESIDENT PARTICIPATION AND INVOLVEMENT

The Board firmly believes in involving tenants in the decision-making process. The Company supports a Tenant and Residents Panel, known as Together With Ocean (TWO), that influences Board decisions on all potential issues of importance to tenants. The group provide significant challenge and scrutiny to the Company. Through its Tenant Involvement and Social Inclusion team the Company supports several activities and events with tenants. In addition, the Company actively consults with tenants and other interested parties on general and specific issues to ensure that key stakeholder issues are properly considered.

> *"The Company is seeing no signs of concerns to demand for property and anticipate that its future plans can still be broadly delivered as anticipated…"*

PAYMENT OF CREDITORS

The Company is committed to supporting local businesses and has a policy to always pay its suppliers within their agreed settlement terms.

FUTURE DEVELOPMENTS

The Company remains confident of delivering its New Homes Strategy, latest plans indicate that the Covid delay has been recovered and handovers of new homes will flow into management in a manner not materially different to original pre-Covid expectations. The Company recognises that it faces competing pressures on its resources and the building of new affordable homes needs to be pursued in a balanced manner that allows the Company to continue to invest the necessary expenditure on existing stock to meet energy efficiency needs and improved standards. The Company is seeing no signs of concern to demand for its property and anticipate that future plans will be delivered as anticipated with no material threats to the long-term business plan projections, internal control targets, known as "Red Lines", or loan covenants. However, through a recently adopted Group Resilience Plan the Group Board are seeking Ocean Housing Ltd to strengthen its financial position, in particular to increase interest cover and reduce gearing.

The need to strengthen the financial capacity of the company is further necessitated given the unprecedented external risk factors currently impacting on the business, the economy is still adjusting from Covid and Brexit and now grappling with the fallout from the war in Ukraine. The company is seeing significant cost inflation in supplies, utilities, contracting and wage pressures. These pressures, at present, are being contained, but Ocean is sensitive to further adverse movement which could put pressure on strategic objectives, particularly the number of new affordable homes. The adoption of the Resilience Plan and a pro-active approach to risk management and stress testing is a crucial aspect of the Groups control of such material adverse external threats.

AUDITOR

KPMG LLP were reappointed as auditor on 15 September 2021 and a resolution will be proposed to reappoint in Sept 22.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each Director has taken all the steps that they ought to have taken in their role to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

The Directors, after reviewing the company's budgets for 2022/23 and the Group's medium term financial position as detailed in the 40-year business plan, including remaining impacts arising from the Covid-19 pandemic, are of the opinion that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements The Directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

By order of the Board.

Andrea Smith
DIRECTOR

DATE: **24th August 2022**
REGISTERED SOCIETY NUMBER: **30521R**

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

STATEMENT OF BOARD'S RESPONSIBILITIES
IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the 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 to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

› select suitable accounting policies and then apply them consistently;

› make judgements and estimates that are reasonable and prudent;

› state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;

› assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

› use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

REPORT OF THE BOARD ON INTERNAL CONTROL

REPORT OF THE BOARD
ON INTERNAL CONTROL

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Ocean's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Ocean is exposed and is consistent with Turnbull principles, and application of the Regulator for Social Housings requirements in respect of the regulatory standards, in particular the Governance and Viability Standard.

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

IDENTIFICATION AND EVALUATION OF KEY RISKS

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of Ocean's activities. This process is co-ordinated through a regular reporting framework of performance management and control by the Executive Group. The Executive Group regularly considers reports on significant risks facing Ocean and the Group Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. Every Board and Committee meeting has a standard item on risk to ensure constant opportunity to evaluate risk.

MONITORING AND CORRECTIVE ACTION

A process of control self-assessment and regular management performance reporting on control issues and key performance indicators provides assurance to the Executive Group and to the Board. This includes a rigorous approach for ensuring that corrective action is taken in relation to any significant control issue, particularly those with a material impact on the financial statements. The Risk Framework is based on the 3 lines of defence principle with support from an early warning system process embedded in the Groups' Risk IT system, Evolution of risk maturity and closer links to stress testing and mitigation strategies is on-going.

CONTROL ENVIRONMENT AND CONTROL PROCEDURES

The Board retains responsibility for a defined range of issues covering operational, financial and compliance issues including the appraisal of new investment projects. The board has adopted, complied and disseminated to employees, the NHF Code of Governance, 2020. This sets out Ocean's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are regularly reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of business objectives, targets and outcomes.

REVIEW OF CONTROLS, INCLUDING ANNUAL REPORT OF GROUP CHIEF EXECUTIVE

The internal control framework and the risk management process are subject to regular review by the Internal Auditor who is responsible for providing independent assurance to the Board and Board of Ocean Housing Group Limited via the Group Audit, Risk and Assurance Committee. The Group Audit, Risk and Assurance Committee considers internal control at each of its meetings during the year. At all meetings, the Group Audit, Risk and Assurance Committee reviews the Risk and Assurance Framework to ensure it is appropriate to meet the increasing pressures faced by the Board.

The Board, through the Group Audit Risk and Assurance Committee, has received the Group Chief Executive's annual report on internal control and conducted its annual review of the effectiveness of the system of internal control. It has taken account of any changes needed to maintain the effectiveness of the risk management and control process. In The Group Chief Executive's 2021/22 review, he provided assurance on significant improvement in property compliance arrangements. 2021/22 saw a new robust Compliance framework embedded. This has provided the necessary additional assurance and control needed to effectively control property compliance.

Having comprehensively reviewed the Group's overall framework of internal control the Group Chief Executive concluded there were no material areas of control weakness in 2021/22 and the Company Board are assured.

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

By order of the Board.

Andrea Smith
Chair

DATE: **24th August 2022**
REGISTERED SOCIETY NUMBER: **30521R**

INDEPENDENT AUDITOR'S REPORT

KPMG

Suite 23
BLOCK
Royal William Yard
Plymouth
PL1 3RP

Independent auditor's report to the members of Ocean Housing Limited

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Ocean Housing Limited.

OPINION

We have audited the financial statements of Ocean Housing Limited ("the association") for the year ended 31 March 2022 which comprise the income and expenditure account and statement of comprehensive income, statement of changes in equity, statement of financial position, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2022 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

BASIS FOR OPINION

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

GOING CONCERN

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the association will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the board, the audit and risk committee and internal audit as to the Association's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Association's channel for "whistleblowing, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit and risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk of bias in accounting estimates such as pension assumptions;
- the risk that income from property sales and non-social housing income is recorded in the wrong period; and
- the risk that group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to a fraud risk, journal entries containing key words, unbalanced journal entries, journal entries with lines having zero monetary value, unexpected journals posted to stock and work in progress and cash at bank and in hand.
- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumptions used in pension valuations and the value of housing stock held in current assets.

› *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Association's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), pensions legislation, specific disclosures required by housing legislation, and requirements imposed by the Regulator for Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Association is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance allow could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

OTHER INFORMATION

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

BOARD'S RESPONSIBILITIES

As explained more fully in their statement set out on page 9, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association, for our audit work, for this report, or for the opinions we have formed.

Harry Mears (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Suite 23
BLOCK
Royal William Yard
Plymouth PL1 3RP
27 September 2022

OCEAN HOUSING LIMITED | FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2022

INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	NOTE	2022 £'000	2021 £'000
Turnover	2a	**24,223**	24,367
Operating costs	2a	**(15,895)**	(15,118)
Gain on disposal of tangible fixed assets	3	**2,548**	1,345
Operating surplus	2a	**10,876**	10,594
Interest receivable and other income	4	**246**	271
Interest payable and similar charges	5	**(7,260)**	(11,181)
Net finance cost on pension fund liabilities	5	**(57)**	(27)
Surplus/(Deficit) on ordinary activities before taxation		**3,805**	(343)
Gift aid receivable		**-**	-
Taxation	7	**-**	8
Surplus/(Deficit) for the year		**3,805**	(335)
Remeasurement of the net defined benefit liability.	15e	**1,543**	(1,680)
Total comprehensive income for the year		**5,348**	(2,015)

CHAIR
Andrea Smith

DIRECTOR
Karen Littler

SECRETARY
Frances Turner

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	REVENUE RESERVE £'000	TOTAL EQUITY £'000
Balance at 1 April 2020	43,522	**43,522**
Deficit for the year	(335)	**(335)**
Other Comprehensive Income	(1,680)	**(1,680)**
Balance at 31 March 2021	41,507	**41,507**

	REVENUE RESERVE £'000	TOTAL EQUITY £'000
Balance at 1 April 2021	41,507	**41,507**
Surplus for the year	3,805	**3,805**
Other Comprehensive Income	1,543	**1,543**
Balance at 31 March 2022	46,855	**46,855**

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	NOTE	2022 £'000	2021 £'000
Fixed assets			
Housing properties at cost less depreciation	8a	**242,015**	231,500
Total housing properties	8a	**242,015**	231,500
Other tangible fixed assets	8b	**4,648**	4,638
Total fixed assets		**246,663**	236,138
Current assets			
Debtors (including £3.2m (2021: £3.5m) due in more than one year)	9	**6,715**	6,853
Stock	10	**1,110**	388
Cash at bank and in hand		**5,547**	11,478
Total current assets		**13,372**	18,719
Current liabilities			
Creditors: amounts falling due within one year	11	**(3,786)**	(3,414)
Net current assets		**9,586**	15,305
Total assets less current liabilities		**256,249**	251,443
Creditors: amounts falling due after more than one year	12	**(208,388)**	(207,205)
Pension liability	15a	**(1,006)**	(2,731)
Total Net assets		**46,855**	41,507
Represented by:			
Capital and reserves			
Reserves including pension liability		**46,855**	41,507
Total Capital and reserves		**46,855**	41,507

The accompanying notes on pages 20 to 40 form an integral part of the financial information.

CHAIR
Andrea Smith

DIRECTOR
Karen Littler

SECRETARY
Frances Turner

CASH FLOW STATEMENT FOR THE YEAR

AT 31 MARCH 2022

	YEAR ENDED 31 MARCH 2022 £'000	YEAR ENDED 31 MARCH 2021 £'000
Cash flows from operating activities		
Surplus/(Deficit) for the year	**5,348**	(2,015)
Adjustments for:		
Depreciation, amortisation and impairment	4,607	4,480
Gain on Disposal of Assets	**(2,548)**	(1,345)
Interest receivable and similar income	**(246)**	(271)
Interest payable and similar charges	**7,260**	11,181
Deferred government grant	**646**	(586)
Taxation	**-**	8
(Increase)/decrease in trade and other debtors	**(653)**	(185)
(Increase)/decrease in stocks	**(722)**	669
Increase/(decrease) in trade and other creditors	**314**	(55)
(Decrease)/increase in provisions and employee benefits	**(1,725)**	1,473
Tax paid	**-**	9
Net cash from operating activities	**12,281**	13,363
Cash flows from investing activities	**-**	-
Proceeds from sale of tangible fixed assets	**3,766**	2,779
Interest received	**246**	271
Acquisition of other entities	**-**	-
Acquisition of tangible fixed assets	**(15,527)**	(5,968)
Proceeds from the receipt of government grants	**956**	5,046
Capitalised development expenditure	**(223)**	(219)
Net cash from investing activities	**(10,782)**	1,909
Cash flows from financing activities		
Proceeds from new loan	**-**	70,000
Interest paid	**(7,430)**	(10,860)
Repayment of borrowings	**-**	(66,000)
Net cash from financing activities	**(7,430)**	(6,860)
Net (decrease)/increase in cash and cash equivalents	**(5,931)**	8,412
Cash and cash equivalents Brought Forward	**11,478**	3,066
Cash and cash equivalents at 31 March 2022	**5,547**	11,478

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The financial statements of the organisation are prepared in accordance with Financial Reporting Standard 102 – The applicable financial reporting standard in the UK and Republic of Ireland (FRS102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Ocean Housing Limited is registered and domiciled in England.

The Company's parent undertaking, Ocean Housing Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Ocean Housing Group Limited are available to the public and may be obtained from Stennack House, Stennack Road, St Austell, Cornwall, PL25 3SW. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Key Management Personnel compensation.

Related party transactions which require disclosure under the Accounting Direction are disclosed in note 23.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

MEASUREMENT CONVENTION

The financial statements are prepared using the historical cost convention.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 40 year business plan which is updated and approved on an annual basis. The most recent business plan was approved on 15th June 2022 by the Board.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Board has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2022/23 and the Group's medium term financial position as detailed in the cash flow forecasts and 40-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities across the group of £61.5M which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

BASIC FINANCIAL INSTRUMENTS

Tenant Arrears, Trade and other debtors
Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries and jointly controlled entities
Investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets are impaired. As at 31 March 2022, following review, management consider there is no requirement for any impairment of housing assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2022

HOUSING PROPERTIES

Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation.

Depreciation

Depreciation is charged to the income and expenditure account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Component	Economic useful life
Structure:	
Traditional flats and houses (Pre 1945)	100 years
PRC flats and houses (All years)	100 years
Traditional flats and houses (1945 to 1965)	100 years
Traditional flats and houses (1965 to 2000)	100 years
New build houses (Post 2000)	100 years
External wall insulation	20 years
Roof	50 years
Windows and doors	30 years
Heating system	15 years
Kitchen	20 years
Bathroom	30 years
Other Major Works	Between 10 and 60 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the end of the month of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2022, interest has been capitalised at an average rate of 3.5% (2021: 3.5%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

OTHER FIXED ASSETS

Other tangible assets include those assets with an individual value in excess of £1,000.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Assets	Economic useful life
Freehold operating accommodation	60 years
Motor vehicles	5 years
Office furniture, equipment and telephones	10 years
Computer hardware	3 years
Furnished tenancy scheme	5 years
Computer software	10 years

SOCIAL HOUSING GRANT

Social housing grant (SHG) is initially recognised at fair value as both as short (the first year of amortisation) and a long term liability, specifically as deferred grant income and released through the income and expenditure account as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHG are transferred to either the Recycled capital grant fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

PROPERTIES HELD FOR SALE AND WORK IN PROGRESS

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

IMPAIRMENT EXCLUDING STOCKS AND DEFERRED TAX ASSETS

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through income and expenditure is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in income and expenditure. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

EMPLOYEE BENEFITS

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income and expenditure account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income.

The Company participates in one defined benefit plan as set out below:

Social Housing Pension Scheme (SHPS)

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme of which the liability is accounted for on a full FRS 102 valuation.

PROVISIONS

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

TURNOVER

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and amortisation of Social Housing Grant (SHG) under the accruals

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2022

model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

EXPENSES

Operating Costs
Operating costs represents the direct and administrative costs derived from social housing activities, including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the income and expenditure account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in income and expenditure over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable
Borrowing costs that are directly attributable to the Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in income and expenditure as they accrue, using the effective interest method.

TAXATION

Tax on the income and expenditure for the year comprises current and deferred tax. Tax is recognised in the income and expenditure account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

BAD AND DOUBTFUL DEBTS

Provision is made against rent arrears of current and former tenants as well as sundry debts to the extent that they are considered irrecoverable. Current tenant debts are not written off, however a prudent provision is made to allow for all potential bad debts. The formula adopted is as follows, based on expected recovery rates: Additional, provisions may be made during uncertain economic times.

Rents	%
Current tenant arrears less than 4 weeks	0%
Current tenant arrears between 4 and 15 weeks	10%
Current tenant arrears between 16 and 32 weeks	25%
Current tenant arrears greater than 33 weeks	50%
Former tenant arrears	90%

Debtors	%
Service and tenant charge arrears less than 4 weeks	0%
Service and tenant charge arrears between 4 and 15 weeks	10%
Service and tenant charge arrears between 16 and 32 weeks	25%
Service and tenant charge arrears greater than 33 weeks	50%
Service and tenant charge arrears (Former tenants)	90%

2 TURNOVER, OPERATING COSTS & OPERATING SURPLUS

(a) Particulars of turnover, operating costs and operating surplus	TURNOVER	COSTS	SURPLUS / (DEFICIT)	SURPLUS / (DEFICIT)
	2022 £'000	2022 £'000	2022 £'000	2021 £'000
Social housing lettings	22,460	(14,556)	7,904	8,737
Supporting people contract income	63	(71)	(8)	(40)
Other activities	642	(579)	63	47
First tranche shared ownership sales	1,058	(689)	369	505
Sub Total	24,223	(15,895)	8,328	9,249
Asset Sales				
Net surplus on the sale of assets	-	2,548	2,548	1,345
Total	24,223	(13,347)	10,876	10,594

(b) Income and expenditure from social housing lettings	2022 £'000	2022 £'000	2022 £'000	2021 £'000
Income from lettings	GENERAL HOUSING	SHARED OWNERSHIP	TOTAL	TOTAL
Rent receivable net of identifiable service charges	19,285	1,521	20,806	20,427
Service charge income	890	118	1,008	982
Grant amortisation	588	58	646	586
Turnover from social housing lettings	20,763	1,697	22,460	21,995
Expenditure on lettings				
Management	(3,295)	(152)	(3,447)	(3,707)
Services	(903)	(12)	(915)	(899)
Routine maintenance	(3,064)	-	(3,064)	(2,637)
Planned maintenance	(2,072)	-	(2,072)	(1,511)
Major repairs expenditure	(507)	-	(507)	(361)
Bad debts	(204)	(24)	(228)	62
Depreciation of housing properties	(4,062)	(261)	(4,323)	(4,205)
Operating costs on social housing lettings	(14,107)	(449)	(14,556)	(13,258)
Operating surplus on social housing lettings	6,656	1,248	7,904	8,737
Void losses	155	-	155	226

3 PROPERTY AND LAND DISPOSALS

	2022 £'000	2021 £'000
Proceeds of Right To Buy and other property sales	**3,766**	2,779
Depreciation charged on Right To Buy and other properties sold	**201**	165
Book value of Right To Buy and other properties sold	**(1,205)**	(1,400)
Cost of sales of Right To Buy and other property sales	**(87)**	(7)
Refund payable to Cornwall Council of proceeds from Right To Buy sales	**(128)**	(192)
Surplus attributable to Company	**2,547**	1,345

During the year the Company sold 2 (2021: 4) homes under Right to Buy legislation and 1 under the Right to Acquire (2021: 2). There were 11 occurrences of the staircasing of shared ownership properties, 6 units to 100% (2021: 7) and 15 general disposals (2021: 8).

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £'000	2021 £'000
Interest receivable from cash deposits and investments	**1**	1
Other interest receivable	**245**	270
Total	**246**	271

Interest receivable and similar income includes income from group undertakings of £245,000 (2021: £270,000).

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £'000	2021 £'000
Interest payable on long term loans	**7,250**	7,395
Lender's fees paid	**313**	721
Loan breakage costs	**-**	3,204
Fair Value Adjustment on Borrowings	**(3)**	(3)
Less interest capitalised in respect of development schemes	**(300)**	(136)
Sub Total	**7,260**	11,181
Net finance cost on pension fund liabilities (note 15d)	**57**	27
Total	**7,317**	11,208

The average interest rate used for calculating the capitalised interest in respect of development schemes for the year was 3.5% (2021: 3.5%).

6 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2022 £'000	2021 £'000
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation on dwellings including impairment	**4,323**	4,205
Depreciation on other tangible fixed assets	**287**	275
External auditor's remuneration in their capacity as auditor	**30**	37
External auditor's remuneration in respect of other services	**11**	-
Operating lease rentals (Plant & Machinery)	**38**	19
Operating lease rentals (Other assets)	**186**	187

7 TAXATION

	2022 £'000	2021 £'000
UK corporation tax charge / (credit)	**-**	-
Current tax on income for the year	**-**	-
Current tax on income for prior year	**-**	**(8)**
Tax charge on ordinary activities	**-**	**(8)**

Factors affecting the tax charge for the current year

The current tax charge for the year for the Company is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The reconciliation between current taxation and deferred taxation is below:

	2022 £'000	2021 £'000
Reconciliation of effective tax rate		
Surplus/(Deficit) for the year	**3,805**	(335)
Total tax expense	**-**	(8)
Surplus/(Deficit) excluding tax	**3,805**	(343)
Current tax: 19% (2021: 19%)	**723**	(66)
Non taxable income	**(686)**	-
Expenses not deductible for tax purposes	**-**	88
Group relief claimed	**-**	-
Deferred tax not recognised	**(37)**	(22)
Adjustments to tax charge in respect of previous periods	**-**	(8)
Total current tax charge (see above)	**-**	(8)

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The UK deferred tax asset/(liability) as at 31 March 2022 has been calculated at 25% (2021: 19%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2022

8 TANGIBLE FIXED ASSETS

(a) Housing properties

	HOUSING PROPERTY HELD FOR LETTING £'000	HOUSING PROPERTY UNDER CONSTRUCTION £'000	LEASEHOLD SHARED OWNERSHIP £'000	LEASEHOLD SHARED OWNERSHIP UNDER CONSTRUCTION £'000	TOTAL HOUSING PROPERTY £'000
Cost					
Brought forward at 1st April 2021	227,483	4,850	44,103	1,304	277,740
Completions	8,514	(8,514)	2,300	(2,300)	-
Additions	-	10,139	-	2,590	12,729
Component additions	3,112	-	-	-	3,112
Disposals	(527)	-	(677)	-	(1,204)
At 31 March 2022	**238,582**	**6,475**	**45,726**	**1,594**	**292,377**
Depreciation					
Brought forward at 1st April 2021	**(44,640)**	**-**	**(1,600)**	**-**	**(46,240)**
Charge for the year (Note 6)	(4,042)	-	(281)	-	(4,323)
Written out through property disposals	161	-	40	-	201
At 31 March 2022	**(48,521)**	**-**	**(1,841)**	**-**	**(50,362)**
Net book value at 31 March 2021	182,843	4,850	42,503	1,304	231,500
Net book value at 31 March 2022	**190,061**	**6,475**	**43,885**	**1,594**	**242,015**

In the year revenue expenditure on existing properties was £5,304,000 (2021: £4,509,000) and capital expenditure was £3,112,000 (2021: £2,317,000) of which £1,465,000 (2021: £844,000) related to kitchen, bathroom or heating system replacements.

Additions to housing properties include capitalised interest of £300,000 (2021: £136,000) for the year (cumulative total of £3,928,000).

Recycled Capital Grant

	2022 £'000	2021 £'000
Balance as at 1 April 2021	**223**	379
Grants recycled	**165**	119
Interest accrued	**3**	2
Purchase of repossessed homebuy dwellings	**-**	(18)
New development schemes	**-**	(259)
Balance as at 31 March 2022	**391**	223

The number of rented properties in management at 31 March 2022 was 4,202 (2021: 4,169). 3,993 (2021: 3,797) carried a fixed charge at 31 March 2022. Of these properties, 3,279 (2021: 3,174) are valued using EUV-SH, 714 (2021: 623) using MV-STT. As at 31 March 2022 there were 209 rented properties unencumbered (2021: 372).

The number of shared ownership properties at 31 March 2022 was 487 (2021: 471). 393 (2021: 274) of these dwellings are in charge as at 31 March 2022.

The sum of the latest independent valuations of Ocean's housing properties as at 31 March 2022 as extracted from the group asset register is £258,567,783. This valuation arises from the various professional valuations undertaken by Savills (L&P) Ltd whose operatives are members of the Royal Institute of Chartered Surveyors. The timings of any revaluations are in accordance ders requirements. All valuations are made on either the basis of Existing Use Value Social Housing (EUV-SH) or Market Value Subject To Tenancy (MV-STT).

(b) Other assets

	OPERATING PREMISES £'000	OFFICE FURNITURE AND EQUIPMENT £'000	PLANT AND VEHICLES £'000	IT HARDWARE & SOFTWARE £'000	TOTAL £'000
As at 1 April 2021	3,193	181	99	2,922	6,395
Additions	-	-	20	277	297
At 31 March 2022	**3,193**	**181**	**119**	**3,199**	**6,692**
Depreciation					
As at 1 April 2021	**(727)**	**(151)**	**(65)**	**(814)**	**(1,757)**
Charge for the year (Note 6)	(42)	(6)	(11)	(228)	(287)
At 31 March 2022	**(769)**	**(157)**	**(76)**	**(1,042)**	**(2,044)**
Net book value at 31 March 2021	2,466	30	34	2,108	4,638
Net book value at 31 March 2022	**2,424**	**24**	**43**	**2,157**	**4,648**

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Rent and service charge arrears	652	776
Less provision for bad debts	(291)	(291)
Net rent and service charge arrears	361	485
Prepayments and accrued income	239	188
Amounts owing from other group subsidiaries	2,643	1,725
VAT	-	-
Corporation Tax	8	8
Other debtors	264	947
	3,515	3,353
Amounts falling due in more than one year:		
Other Debtors	3,200	3,500
Employee Car Loans	-	-
	3,200	3,500
Total	6,715	6,853

Amounts owed by group companies are trading balances repayable on demand and are non-interest bearing.

Long term debtors comprise of loans made to other group companies. The interest rates is calculated daily at the BOE base rate plus 4.5%, payable monthly.

10 STOCK

	2022 £'000	2021 £'000
Completed properties available for sale	992	136
Properties in construction	-	160
Van Stocks	118	92
Total	1,110	388

Completed properties available for sale relates to acquisition and development expenditure on the first tranche of unsold shared ownership properties. Properties in construction relates to incomplete shared ownership properties. Van stocks are trade items held on the Company's vehicles.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade creditors	447	208
Rent and service charge prepayments	766	709
Taxation and social security	140	133
VAT	4	23
Amounts due under Right to Buy sharing agreement	128	192
Interest	794	735
Amounts owing to other group subsidiaries	451	375
Corporation tax	-	-
Other Creditors	-	48
Grant Creditor	650	643
Accruals and deferred income	406	348
Total	3,786	3,414

Amounts owed by group companies are trading balances repayable on demand and are non-interest bearing.

12 CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Housing finance

In November 2020, Ocean Housing Limited entered into a Note Purchase Agreement with Metlife at a value of £70 million. The majority of this funding was used to repay facilities held with Santander. The balance was held in cash. In addition to the Metlife facility, as at 31 March 2022, Ocean Housing Limited has £50 million fully drawn with M&G Investments and an £85 facility with Santander, of which £35 million drawn.

As at 31 March 2022 there were facilities in place of £205 million (2021: £205 million) and £155 million (2021: £155 million) was drawn from these facilities.

Debt outstanding	2022 £'000	2021 £'000
Loans outstanding	155,000	155,000
Deferred financing costs	(867)	(938)
Grant Creditor	54,255	53,143
Total	**208,388**	207,205
Maturity of debt		
Repayable in greater than one year but less than five years	3,400	-
Repayable In more than five years	151,600	155,000
Total	**155,000**	155,000
Interest rate profile		
Floating rate	-	-
Fixed rate	155,000	155,000
Total	**155,000**	155,000

The Company has undrawn committed borrowing facilities at 31 March 2022 of £50 million (2021: £50 million) from a total facility of £205 million (2021: £205 million). The weighted average fixed interest rate as at 31 March 2022 was 4.68% (2021: 4.68%). There are no loans held as floating (2021: 0%).

Combined the average interest rate for the year was 4.68% (2021: 4.68%).

At 31 March 2022 the maturity profile for borrowings was:

- £35 million 38 years to 18 November 2060
- £35 million 28 years to 18 November 2050
- £35 million 13 years to 31 March 2035
- £50 million Repayable in equal, annual instalments between April 2025 and April 2054

12 CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Deferred Financing Costs

	2022 £'000	2021 £'000
Brought forward at 1st April	938	675
Loan arrangement fees paid during the year	-	390
Charged to the Income & Expenditure account	(71)	(127)
Carried forward at 31st March	**867**	938

Grant Creditor	2022 £'000	2021 £'000
Brought forward at 1 April	53,786	48,566
Grants received in the year	1,764	5,806
Grant amortised to the Income & Expenditure account during the year	(646)	(586)
Total Grants held	**54,904**	53,786
Total held in Creditors: amounts falling due within one year (Note 11)	**(650)**	(643)
Total held in Creditors: amounts falling due after more than one year	**54,254**	53,143

The total value of grant received as at 31 March 2022 was £61,418,000 (2021: £59,654,000). £54,254,000 (2021: £53,143,000) is held in creditors: amounts due after more than one year, £6,514,000 (2021: £5,868,000) in reserves and £650,000 (2021: £643,000) in creditors amounts due within one year.

During the year £1,764,000 (2021: £5,806,000) of grant was received and £646,000 (2021: £586,000) was amortised through the income and expenditure account.

13 EMPLOYEE INFORMATION

(a) Number of employees:	2022	2021
Office staff	78	78
Maintenance staff	42	50
Support Officers. Caretakers and cleaners	14	12
Average total full-time and part-time employees employed during the year	134	140
Average number of full-time equivalents employed during the year	126	130

b) Staff costs for the above employees:	2022 £'000	2021 £'000
Wages and salaries	3,816	3,860
Social security costs	359	359
Pension costs (see note 15)	172	168
Total	4,347	4,387

Salary bandings for employees earning over £60,000 is set out below

	2022 NUMBER	2021 NUMBER
£60,000-£70,000	-	1
£70,001-£80,000	2	1
£120,001-£130,000	-	-
£130,001-£140,000	-	1
£140,001-£150,000	1	-

14 DIRECTORS' EMOLUMENTS

Directors are defined as Members of the Board and Executive Officers who sit on Executive Group.

The remuneration paid to Board Members and Executive Officers of the Company during the year was as follows:

(a) Aggregate payments made to Executive Officers and Board Members	2022 £'000	2021 £'000
Emoluments - Board Members	29	25
Emoluments - Executive Officers	133	126
Social Security - Executive Officers	17	16
Pensions - Executive Officers	10	9
Total	189	176

Board members are paid £5,000 and the Chair is paid £9,000. A further £2,500 is paid to the current Chair as compensation for serving on other Group Boards.

(b) Highest paid Director	SALARY £'000	EMPLOYER PENSION CONTRIBUTION £'000	2022 £'000	2021 £'000
Mrs F Turner	133	10	143	135
Total	133	10	143	135

Retirement benefits accrue for one Executive Director who is an ordinary member of the Company's adopted defined contribution pension scheme, known as the Social Housing (DC) Pension Scheme. No enhancement or special terms apply and the Director has no individual pension arrangement to which the Company makes a contribution. The Directors' defined contribution scheme payment represents 8% of salary and is matched by the Company.

Some members of the Executive Group are paid through Ocean Housing Group Limited, the Company's parent company. Their remuneration is disclosed within those financial statements. The portion attributable to their services of Ocean Housing Limited is not separately identifiable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2022

15 PENSIONS

Social Housing Pension Scheme (SHPS): DB Pension Scheme

15A: PRESENT VALUES OF PROVISION FOR THE PERIOD 31 MARCH 2022

	2022 £'000	2021 £'000
Fair value of plan assets (Note 15c)	9,646	8,490
Present value of defined benefit obligation (Note 15b)	(10,652)	(11,221)
Defined benefit liability to be recognised	(1,006)	(2,731)
Long Term Creditor	(1,006)	(2,731)
Defined benefit liability to be recognised	**(1,006)**	(2,731)

15B: RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	11,221	8,541
Expenses	9	9
Interest expense	245	199
Actuarial losses/(gains) due to scheme experience	569	(77)
Actuarial (gains)/losses due to changes in demographic assumptions	(161)	39
Actuarial (gains)/losses due to changes in financial assumptions	(994)	2,593
Benefits paid and expenses	(237)	(83)
Defined benefit obligation at end of period	**10,652**	11,221

15C: RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	8,490	7,283
Interest income	188	172
Experience on plan assets (excluding amounts included in interest income) - gain	957	875
Employer contributions	248	243
Benefits paid and expenses	(237)	(83)
Fair value of plan assets at end of period	**9,646**	8,490

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,145,000 (2021: £1,047,000).

15D: DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	2022 £'000	2021 £'000
Expenses	9	9
Net interest expense	57	27
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**66**	36

15E: DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	957	875
Experience gains and losses arising on the plan liabilities - (loss)/gain	(569)	77
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	161	(39)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	994	(2,593)
Total amount recognised in other comprehensive income – (loss)	**(1,543)**	(1,680)

15F: ASSETS

	2022 £'000	2021 £'000
Global Equity	1,851	1,353
Absolute Return	387	469
Distressed Opportunities	345	245
Credit Relative Value	321	267
Alternative Risk Premia	318	320
Fund of Hedge Funds	-	1
Emerging Markets Debt	281	343
Risk Sharing	318	309
Insurance-Linked Securities	225	204
Property	260	176
Infrastructure	687	566
Private Debt	247	202
Opportunistic Illiquid Credit	324	216
High Yield	83	254
Opportunistic credit	34	233
Cash	33	-
Corporate bond fund	644	502
Liquid credit	-	101
Long Lease Property	248	166
Secured Income	359	353
Liability Driven Investment	2,692	2,158
Currency hedging	(38)	-
Net Current Assets	27	52
Total assets	**9,646**	8,490

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.

15G: KEY ASSUMPTIONS

	2022 % PER ANNUM	2021 % PER ANNUM
Discount Rate	**2.78**	2.21
Inflation (RPI)	**3.44**	3.22
Inflation (CPI)	**3.13**	2.87
Salary Growth	**4.13**	3.87
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

15H: THE MORTALITY ASSUMPTIONS ADOPTED AT 31 MARCH 2022 IMPLY THE FOLLOWING LIFE EXPECTANCIES:

	LIFE EXPECTANCY AT AGE 65 (YEARS)	LIFE EXPECTANCY AT AGE 65 (YEARS)
Male retiring in 2022	**21.1**	21.6
Female retiring in 2022	**23.7**	23.5
Male retiring in 2042	**22.4**	22.9
Female retiring in 2042	**25.2**	25.1

We have been notified by the Trustee of the 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 given the current level of uncertainties, 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.

16 LEGISLATIVE PROVISION

Ocean Housing Limited is a Registered Society under The Co-operative and Community Benefit Society Act 2014 and Registered Provider of social housing with the Regulator of Social Housing.

17 MEMBERSHIP OF THE COMPANY

Subscribing members of the Company are required to contribute £1 in the event of a winding up. Members are entitled to vote at General Meetings of the Company in accordance with the voting rights granted to members.

18 RELATED PARTY TRANSACTIONS

The Board members who served during the year that are also tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants.

The Company is controlled by Ocean Housing Group Limited. Details of all transactions with the Group entities have not been disclosed in these financial statements on the grounds that consolidated financial statements are prepared for the Group, and are available to the public at the address found in note 1.

All transactions in the year with non regulated related parties have been disclosed in note 23, in addition to the consolidated accounts of Ocean Housing Group Limited.

Under Section 33 of FRS102 defined benefit schemes are considered to be related parties. Ocean Housing Limited is a member of the Social Housing Pension Scheme. Details of the transactions are disclosed in note 15.

19 CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Capital expenditure that has been contracted for but not provided for in the financial statements	**21,567**	26,644
Funded By:		
Grant	**5,159**	3,548
Reserves	**4,495**	2,976
Loans	**11,913**	20,120
Total	**21,567**	26,664

20 OPERATING LEASE COMMITMENTS

Minimum lease payments under non-cancellable operating lease rentals are payable on leases expiring as follows:

Operating leases and contract hire arrangements which expire:	2022 PLANT & MACHINERY £'000	2022 OTHER ASSETS £'000	2022 TOTAL £'000	2021 PLANT & MACHINERY £'000	2021 OTHER ASSETS £'000	2021 TOTAL £'000
Less than one year	**41**	**35**	**76**	20	60	80
In the second to fifth years inclusive	**153**	**43**	**196**	4	118	122
After more than five years	**64**	**-**	**64**	-	41	41
Total	**258**	**78**	**336**	24	219	243

21 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The Company is a subsidiary undertaking of Ocean Housing Group Limited, who is the controlling party, incorporated in England (Company Number 5000720) and results of the Company are consolidated in the financial statements of Ocean Housing Group Limited, which are available to the public and may be obtained from Stennack House, Stennack Road, St Austell, Cornwall, PL25 3SW.

22 ACCOUNTING ESTIMATES AND JUDGEMENTS

22.1. KEY SOURCES OF ESTIMATION UNCERTAINTY

Recoverability of stock and work in progress on housing development properties
Stock and work in progress is held at cost at the reporting date without any impairment. This is management's estimate, based on historical sales performance, its assessment of quality of the Company's development properties and its assessment of the current market conditions.

Impairment of debtors
Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt using the formula outlined in the bad and doubtful debt accounting policy where management has determined that the recovery of the debt is doubtful, the amount is provided for immediately.

Impairment of Fixed Assets
Management seeks to ensure that the entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) If the result of any assessment suggests this to be the case then the value of the asset will be written down.

Pension scheme
The pension liability is calculated using the default assumption provided by The Pensions Trust.

22.2. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

There are no critical judgements applied.

23 TRANSACTIONS WITH NON-REGULATED SUBSIDIARIES

During the year Ocean Housing Limited received the following construction services from Gilbert & Goode Limited:

Inter-company trading	YEAR ENDED 31 MARCH 2022 £'000	YEAR ENDED 31 MARCH 2021 £'000
Gilbert and Goode Limited	10,604	2,585
Total	**10,604**	2,585

During the year Ocean Housing Limited charged rent to Gilbert & Goode Limited:

Inter-company trading	YEAR ENDED 31 MARCH 2022 £'000	YEAR ENDED 31 MARCH 2021 £'000
Gilbert & Goode Limited	44	64
Total	**44**	**64**

The year end debtors balance with Gilbert & Goode was £7,717 (2021: £34,240).

24 RECONCILIATION OF NET DEBT

Debt	YEAR ENDED 31 MARCH 2022 £'000	YEAR ENDED 31 MARCH 2021 £'000
Opening balance of net debt	154,062	150,325
Loan received during the year	-	70,000
Loan pay back during the year	-	(66,000)
Movement in deferred loan fees	71	(263)
Closing balance of net debt	**154,133**	154,062

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