Inquilab Housing Association

Annual Review and Financial Statements

Year Ended 31 March 2022

www.inquilabha.org

Co-operative & Community Benefit Societies Act 2014

No. 25733R

Registered Social Landlord

No. LH3728

Annual Review and Financial Statements

Year Ended 31 March 2022

Contents

Executives and Advisors

BOARD OF MANAGEMENT

Pamela Leonce (Chair)

Gina Amoh (Chief Executive)

John Barr
(Resigned June 2022)

Chyrel Brown
(Joined December 2021 – Chair – Customer Committee)

Peta Caine

Wasiu Fadahunsi
(Joined December 2021)

Vivien Knibbs
(Chair – Audit & Risk Committee. Resigned 29 June 2022)

Nisha Makwana
(Resigned December 2021)

Gordon Mattocks
(Resigned December 2021)

Jahanara Rajkoomar
(Joined December 2021)

Puneet Rajput
(Chair – Remuneration and Nominations Committee)

Jack Stephen
(Joined May 2022 & Chair – Audit & Risk Committee from 30 June 2022)

Katie Wilmot

CO-OPTEES

Katy Crothall
(Resigned March 2022)

Nichola Ebbern
(Resigned March 2022)

Karen Harvey

Zakia Raja

SECRETARY AND REGISTERED OFFICE

Unit 3
8 Kew Bridge Road
Brentford
London
TW8 0FJ

SENIOR STAFF TEAM

Gina Amoh
Chief Executive

Howard Dawson
Director of Customers
(Appointed November 2021)

Manpreet Dillon
Director of Development & Assets
(Appointed June 2022)

Leona Menville
Director of Customers & Communities
(Resigned November 2021)

Eric Nelson-Addy
Director of Finance & Resources

STATUTORY REGISTRATIONS

Co-operative & Community Benefit Societies Act 2014. No. 25733R

Registered Social Landlord. No. LH3728

BANKERS

National Westminster Bank
1 The Mall, Ealing, London W5 2PL

AUDITOR

Nexia Smith & Williamson
45 Gresham Street, London EC2V 7QA

SOLICITORS

Prince Evans
Craven House, 40-44 Uxbridge Road, Ealing, London W5 2BS

SOLICITORS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

Pamela Leonce
CHAIR

Gina Amoh
CHIEF EXECUTIVE

Chair and Chief Executive's Statement

Welcome to Inquilab's Financial Statements for the year to 31 March 2022, which describe what and how we have been doing over the last year, our financial performance and position, and how we see ourselves as being placed for the future.

When we wrote our introduction to the Financial Statements and Annual Review last year (reflecting the period from 1 April 2020 to 31 March 2021), we reflected upon the first lockdown and referred to extraordinary and unprecedented times. Twelve months later, that description remains true.

None of us could have foreseen the position that the country – the world – was going to be in this time last year, and we are certain that none of us could have imagined that we would only just be transitioning back to 'normality' now.

These have not just been extraordinary times but, for many people, exponentially challenging. That is true for our customers and the communities we serve, many of whom are still feeling the effects of the pandemic and, with Covid infections rising again, are continuing to suffer physically, mentally, and economically.

It has also been an extremely challenging time for our colleagues who migrated from office to home-based working (and now back to the office again). During this time, our team has worked hard throughout the pandemic to keep our operations goings and, whenever possible, visiting our customers' homes, our estates, and our building sites.

Covid was, once again, one of the things that defined the last year, along with the cost of living and fuel crisis.

As we entered 2022, the tensions (and subsequent conflict) between Ukraine and Russia is having devastating effects on many thousands of people, with its impact on the rising cost of living and contribution to fuel poverty having further profound consequences for our customers and communities.

> **Despite this immensely challenging period, we managed to maintain most of our services to our residents, prioritising those most in need.**

Some of Inquilab's initiatives like its 'In Touch' calls to check on the safety and wellbeing of our most vulnerable people, and our commitment to a zero-tolerance approach to ASB, have been extremely well received by residents.

In 2021, a key priority for us was to develop more efficient ways to communicate with our customers, and to significantly improve our complaints process. The launch of our new website in April 2021, and the launch of 'My Inquilab' App earlier this year, are good examples of how we have approached this.

Another priority for us was to undertake an organisational structure review to ensure that we have the right people, resources, procedures, and governance to deliver on our commitments to our residents.

As a result, we have a new highly skilled and energised team, and we are already seeing significant improvements to our delivery times for repairs and maintenance fulfilment requests.

We also conducted property inspection audits in 2021 / 2022, and we have already begun a phased plan of works for those properties identified as in need of serious improvement, including damp and mould.

Another defining theme for the year continued to be the rise in public consciousness about racial inequality and injustice following the killing, in May 2020, of George Floyd in Minneapolis, USA, and which remained very prominent in 2021.

At Inquilab, we are immensely proud of our organisation's origins in supporting BME communities. We are restless in our determination to promote and encourage involvement in conversations about race and ethnicity, so that, together, we can bring about meaningful and lasting change to society. This is an important part of our wider work on diversity and inclusion as we continue to shape the actions to deliver on our shared commitment.

Over the last year, although disrupted at times by Covid restrictions, we continued to deliver most of our services. We continued to deliver our corporate plans and to develop strategies for the future. Our Annual Review shares some of what we did in 2021/22.

Finally, we extend a particular and very special thank you to all our colleagues and business partners, for supporting our customers and communities and for supporting each other.

Pamela Leonce
Chair

Gina Amoh
Chief Executive

Annual Review of the Board

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

Responsibilities of the Board

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 and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, 'The Financial Reporting standard applicable in the UK and Republic of Ireland' and applicable law. The Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state-of-affairs of the Association and of the surplus or deficit for that period.

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

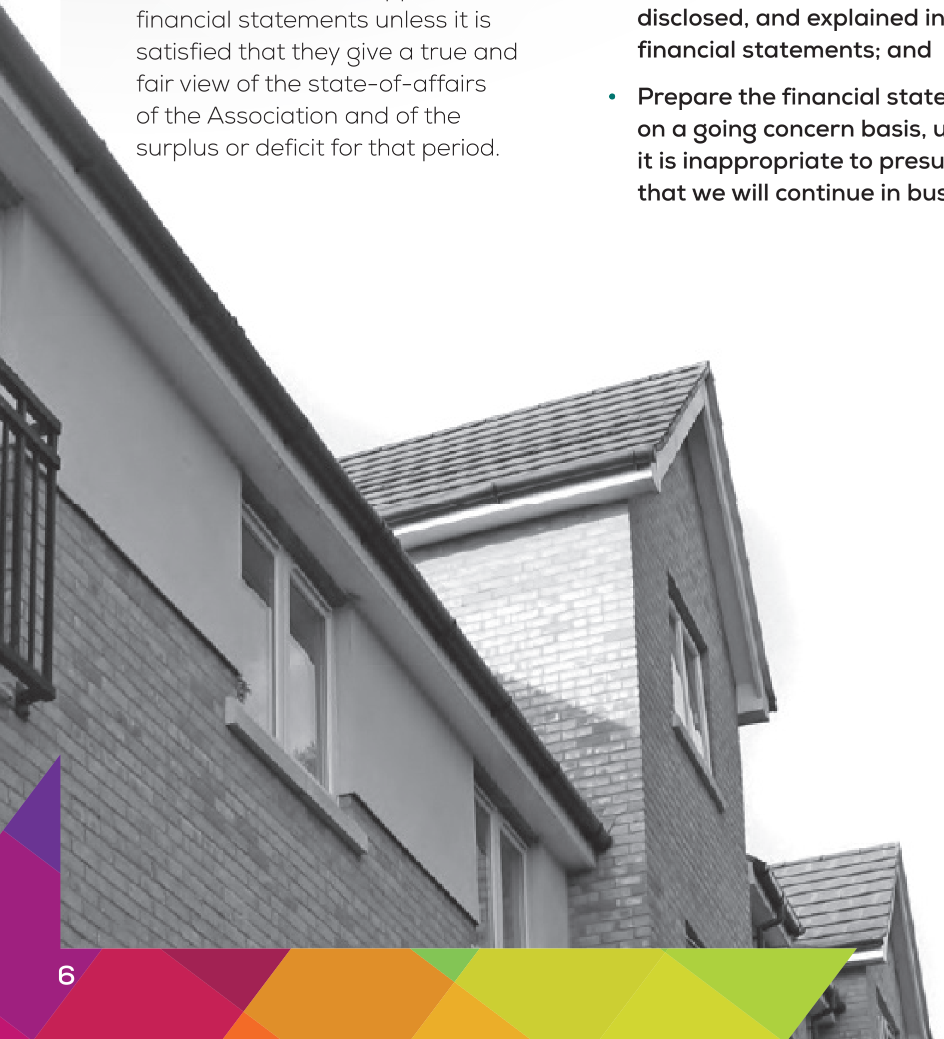
- **Select suitable accounting policies and then apply them consistently.**
- **Make judgements and accounting estimates that are reasonable and prudent.**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2018) have been followed, subject to any material departures disclosed, and explained in the financial statements; and**
- **Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that we will continue in business.**

The Board is responsible for:

- **Keeping proper accounting records that are sufficient to show, and explain, our transactions.**
- **Ensuring the financial statements are prepared in accordance with the Co-operative & Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, and the Statement of Recommended Practice for Registered Social Housing Providers.**
- **Safeguarding our assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities.**
- **The maintenance and integrity of the corporate and financial information included on our website.**

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Key aspects of our current governance procedures are as detailed on page 7.



Board Structure

The Board has nine members. Eight are non-executives and one is an executive member. The non-executive members embrace a broad range of experience in business, finance, property development, risk management, and housing services.

The Board meets regularly to set and review our strategic direction as well as our financial and operational performance.

The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers from executive members who present the papers and answer any questions that arise as part of the Board discussion. The Board has a framework of delegation to committees whose functions are set out here. It also has a number of matters that are reserved to the Board. Authority for implementing the agreed strategy and for general management of the Association is delegated to the Chief Executive.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues. On appointment, they are informed of the procedure for obtaining professional advice at the Association's expense. Regular site visits, presentations, and meetings with senior management and advisers are arranged to ensure that all Board members are kept informed of their responsibilities, our activities and objectives, and our operating environment. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

Board Committees

The Board formally delegates specific responsibilities to the following committees, each of which operates under terms of reference agreed by the Board. Committees are comprised of Board members and independent non-executive committee members and are supported by executive team members, as appropriate.

The Audit and Risk Committee (ARC)

This Committee has four members and is chaired by a member of the Board. It normally meets four times a year. It has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control. The Committee's objective is to give assurance to the Board on the effectiveness of the system of risk management and internal control, the integrity of the annual report and accounts, the work of internal and external auditors and such other matters as may be referred to it by the Board. The external and internal auditors attend key meetings and have direct access to the Committee Chair. The Committee keeps our relationship with the auditors under review and considers their independence.

Remuneration & Nominations Committee (RNC)

This committee comprises three members and is chaired by a Board member. It advises the Board on general governance matters such as non-executive recruitment, the Board member appraisal system, and the pay and remuneration of the Board and executive team.

Customer Committee (CC)

The Customer Committee is responsible for overseeing the provision of services to our customers and monitoring resident engagement activities. The Committee is made up of non-executive members and customers who the Board determines have the necessary skills to support the committee's work. In addition, the Committee monitors compliance with consumer regulation and provides assurance in this area to the Audit and Risk Committee and the Board.

Review of the Business

Inquilab Housing Association Limited is a community benefit society and an exempt charity and is regulated by the Regulator of Social Housing (RSH).

Our activities are principally engaged in:

- **The provision and management of affordable rented social housing for people who cannot afford to rent in the open market.**
- **The provision of shared ownership homes to meet the needs of people who cannot reasonably afford to purchase a home on the open market.**
- **The delivery (wholly or in partnership) of initiatives that improve the quality of life for people living in the communities which we serve.**

Our considered and planned growth now sees us own and manage 1,338 homes and support over 3,600 residents across a broad and diverse reach in West and North-West London, Elmbridge and Slough.

Today, as well as building and providing high quality homes at affordable rents to meet the needs of our current and future residents, our work supports and addresses the wider social issues affecting our residents and communities. This includes the provision of financial advice and support, helping people into employment and training, and assistance with health, wellbeing, and legal support.

All our income is invested in support of our charitable and social value objectives. These include building new affordable homes, letting and maintaining our existing homes, improving our customer service, and supporting our most vulnerable customers and local communities.

Inquilab was established 34 years ago to support people in housing need and to develop homes for under-represented BME communities in West London.

Review of the Year

2021 and early 2022 remained challenging years for the housing sector and for our organisation.

The Covid pandemic continued to dominate the headlines with heightened concern for its variants and the impact these had, and are still having, on the UK population.

The ensuing economic and cost of living crisis has been further compounded by Russia's war on Ukraine which, together with escalating fuel prices, is bringing financial and wellbeing challenges to everyone's door.

As a housing association that supports some of the most vulnerable and disadvantaged people in England, this economic uncertainty – coupled with the unpredictably high rising cost of living – has had, and continues to have, a serious impact on our residents' physical, mental, and financial health.

From a wider sector perspective, 2021 saw the national housing damp and disrepair crisis reach new levels of concern, and new legislation and the introduction of the Government's Social Housing White Paper, which was published in November 2020, has called for a much-needed change within the sector.

At Inquilab, we positively welcomed the paper and, specifically, its call to put residents' voice and influence at the heart of the sector's agenda, and to achieve greater accountability to residents through the new 2020 Code of Governance and its 'Together with Tenants' initiative.

2021 also saw Inquilab challenged by the ruling of a double-maladministration by the Ombudsman after an investigation determined our failure to respond to our resident's repair requests and our subsequent complaint handling.

We commissioned an independent review of our complaints handling process and we have learned from the outcomes of this review. As part of our commitment to continuous service improvements, we have (and will) continue to train and up-skill our people in the areas of complaints handling and investigation, customer service, and in communicating adequately with residents and the Ombudsman service.

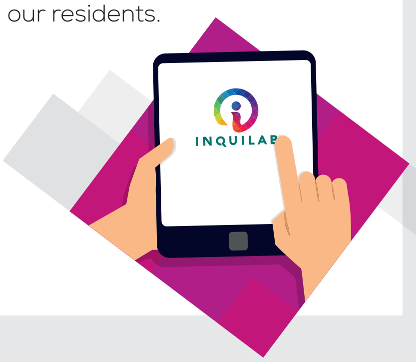
Notwithstanding the economic turbulence and challenges of the year, in 2021-22, we committed to:

- **Improve the way we communicate and engage with our residents**
- **Better our service delivery response**
- **Develop our people and teams to deliver on the promises we make to our residents**
- **Ensure financial stability to secure our investments in our properties, resident services, and in our employees.**

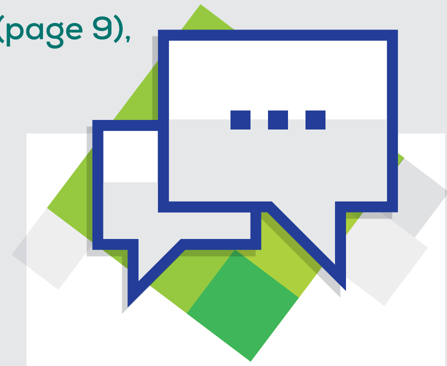
We continue to strive to be a top performing, customer-focussed organisation which puts our residents first, and we are proud of the way our team managed during another difficult year.

Against these commitments (page 9), in 2021-2022, we:

Invested in a new website, which was launched in early 2021, making information and advice more accessible for our residents.

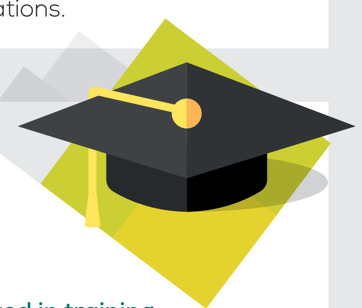


Developed a new Residents App 'My Inquilab', ready for roll-out in the Spring of 2022. 'My Inquilab' app now gives our residents instant, easy, access to their tenancy account, raise and track repairs, view charges and payments, and to give us feedback on repairs and other services. Offering an instant, more efficient, way for our residents to get in touch with us and encourage a dialogue between us, we are now able to respond quicker to our residents' enquiries, repair requests, and messages.



Introduced a new complaints module, making it easier and more transparent for our residents to raise a complaint; and we now have a more robust module built into our CRM system to ensure that we deal with complaints consistently, transparently, and in a timely manner.

Restructured our team with a greater focus on customer services and delivery which has included a recruitment drive to better support the needs and requests of our residents, as well as a Building Safety Manager to work with our asset team to ensure our buildings comply with the latest fire and safety regulations.



Invested in training and development so that our employees have the skills and breadth of understanding to deliver and manage our services – from developing new homes through to service and repair and including refreshed complaints handling training for all our customer service teams.

Strengthened our Board with three new appointments so that we continue to be well governed and accountable.

Commenced development of 16 new homes with an investment of £4m to support our corporate objective of sustainable growth by providing quality homes for those in greatest need.

Met our loan covenants with a comfortable degree of margin and ensured our financial prudence so that we can continue to support our development programme for more, much needed, new homes.

Our Corporate Strategy

In early 2021 we launched our (then) new Corporate Plan which sets out our organisation's mission, vision, and strategic objectives.

MISSION

To meet housing need and to support sustainable communities.

VISION

To deliver reliable services that customers value and trust.

STRATEGIC OBJECTIVES

OUR VALUES

SERVICE: Delivering services residents value and we are proud of

TRUST: Being open, honest and showing integrity

ACCOUNTABILITY: Taking ownership and responsibility

RESPECT: Showing care, commitment and fairness

STRENGTH: Building on the strength of people, legacy and resources

Supporting the Charter for Social Housing Residents, our Corporate Plan has a commitment to ensuring:

- **Our residents are safe in their home.**
- **We are transparent in our performance, including on repairs, complaints and safety, and how we spend our money.**
- **Complaints are dealt with promptly and fairly, with access to a strong Ombudsman.**
- **Our residents are treated with respect, and that we support a strong consumer regulator and improved consumer standards for tenants.**
- **To provide the platforms and opportunities to have our residents' voice heard.**
- **To provide good quality homes and neighbourhoods to live in, and to keep our homes in good repair.**
- **To fully support the government in ensuring social housing can support people to take their first step to ownership.**

Financial Overview

HIGHLIGHTS 2021-22

Turnover
£10.45m
(2021 - £10.19m)

Operating Surplus
£3.57m
(2021 - £4.11m)

Surplus
£1.51m
(2021 - £1.71m)

Operating Margin
30.9%
(2021 – 34.9%)

EBITDA MRI
186.6%
(2021 – 187.1%)

Total Assets less current liabilities
£167.7m
(2021 - £160.6m)

Voids
0.71%
(2021 – 1.02%)

Rent Collection
98.90%
(2021 – 98.94%)

Social Housing Cost per Unit
£4,358
(2021 - £4,259)

Turnover

Of the £10.45m turnover in the year (2021: £10.19m), 99.7% was generated from our core social housing lettings activities (2021: 99.5%). The change in turnover was attributable to increases in rental income by 1.50% and the income from units purchased via stock transfer at the end of the last financial year.

Operating Surplus and Margins

Operating surplus for the year was £3.574m (2021: £4.112m). Operating margins reduced to 30.9% from 34.9% as a direct consequence of the decrease in operating surplus for the year to £3.57m (2021: £4.11m). These results were not unexpected with the continued external economic market and the increased focus on building safety resulting in additional expenditure to ensure our residents feels safe in their homes in addition to the increased maintenance and investment in the quality of existing homes. Operating margins on our core business social lettings remained strong at 31.7% (2021: 37.3%) against 2021 peer group median 24.9%, with the decrease attributable to the increased expenditure on maintenance and building safety works. Our commitment to making sure we are proud of the homes we provide our residents, and our quality standards is paramount. Interest payable for the year increased by £0.21m to £2.065m (2021: £2.044m) as a direct result of the increased borrowing in the year to fund our growth ambitions.

Financial Position

Our financial strength remains key to delivering our social objective. The business is modelled on the generation of sufficient income to meet our operating costs, loan interest payments, and investment in our homes. We will continue to use our unrestricted surpluses to ensure that we achieve the objectives of our Corporate Strategy. We maintain a robust financial position, reflecting a strong statement of financial position and cash reserves. These reserves will provide funds for future growth plans. The Association continues to maintain a strong financial position with net current assets increasing by £6.96m to £9.789m in the year (2021: £2.831m). We continue to achieve one of our key strategic objectives to grow - with our housing property portfolio increasing steadily by £1.660m to £181.2m (2021: £179.5m). Cash reserves increased by £6.612m to £14.179m (2021: £7.549m) following the drawdown of a new £10m facility.

Capital Structure and Treasury

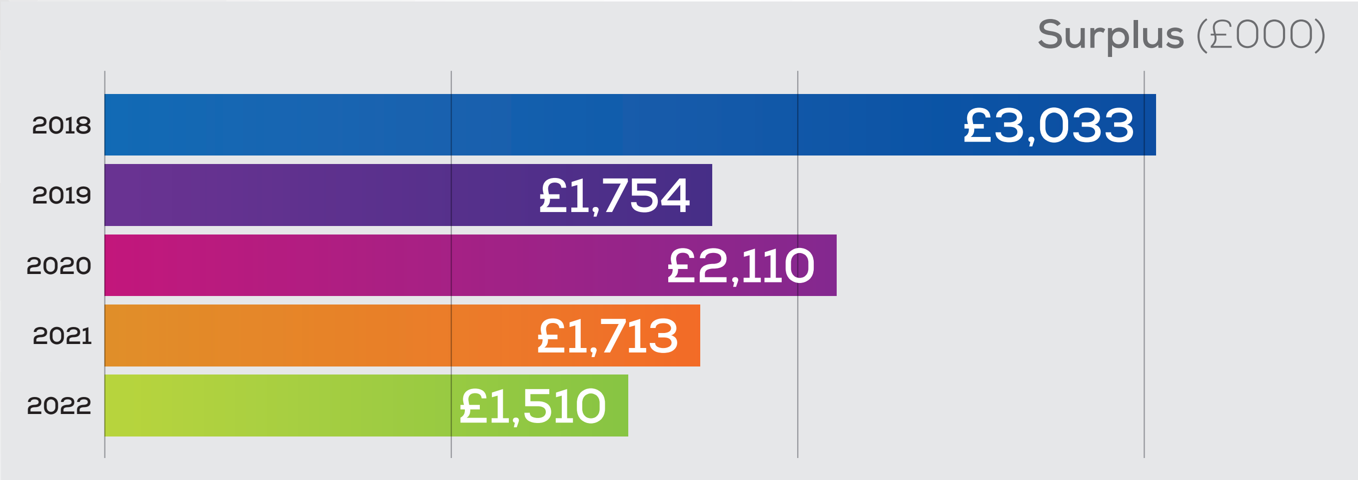
The Association's treasury strategy is approved annually by the Board and details how we mitigate and manage treasury related risk defined as liquidity risk, interest rate risk, covenant risk and counterparty risk. It ensures the Association has sufficient liquidity to fund its operations for a minimum of 24 months, mitigation of the impact of adverse movements in interest rates, ensuring loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions. Loan Covenants are monitored regularly in accordance with the governance framework and were met throughout the year. These are forecast to be continually met for all loan facilities with sufficient buffer to remain above risk tolerance levels set by the Board. At 31 March 2022, the Association had total loan facilities of £66.29m (2021: £59.51m) of which £5.0m (2021: £0m) were undrawn. All undrawn facilities are fully secured and committed revolving credit facilities available within 2 days.

Summary Statement of Comprehensive Income (£000)	2022	2021	2020	2019	2018
Turnover	**£10,445**	£10,186	£12,152	£9,549	£9,533
Operating costs and cost of sales	**(£7,215)**	(£6,632)	(£8,488)	(£5,942)	(£5,366)
Surplus on disposal of assets	**£344**	£557	£96	£280	£697
Operating surplus	**£3,574**	£4,112	£3,760	£3,887	£4,864
Net interest charge and other finance costs	**(£2,055)**	(£2,032)	(£2,087)	(£1,861)	(£1,839)
Movement in fair value of investment	**(£45)**	(£60)	£90	£26	£8
Other Comprehensive Income	**£36**	(£307)	£347	(£298)	£0
Surplus for the year	**£1,510**	£1,713	£2,110	£1,754	£3,033

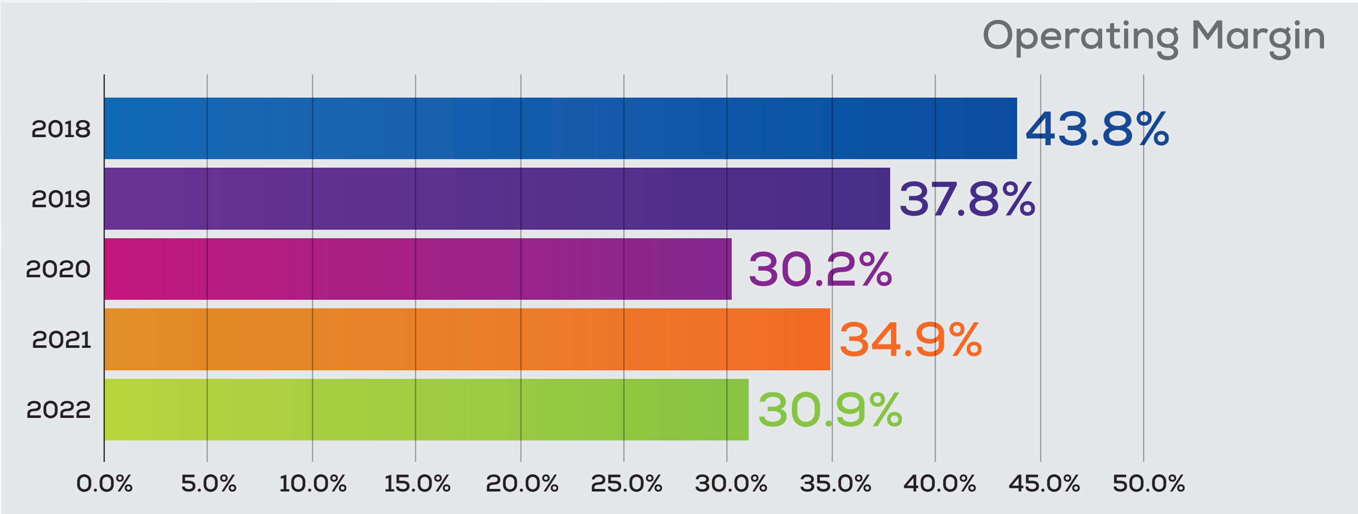
Summary Statement of Financial Position (£000)	2022	2021	2020	2019	2018
Housing properties at cost less depreciation	**155,399**	155,246	154,820	151,891	152,282
Other tangible fixed assets and investments	**2,515**	2,513	2,621	2,678	2,653
Net current assets	**9,789**	2,831	4,823	2,157	126
Total assets less current liabilities	**167,702**	160,590	162,264	156,726	155,061
Loans due after one year	**57,737**	56,130	57,345	55,384	55,447
Unamortised grant liability	**65,900**	66,900	67,887	68,274	68,556
Other long-term liabilities	**8,895**	3,541	3,733	1,944	1,835
Revenue reserve	**35,170**	34,019	33,229	31,124	29,223
Total	**167,702**	160,590	162,194	156,726	155,061

Key features of the results were:

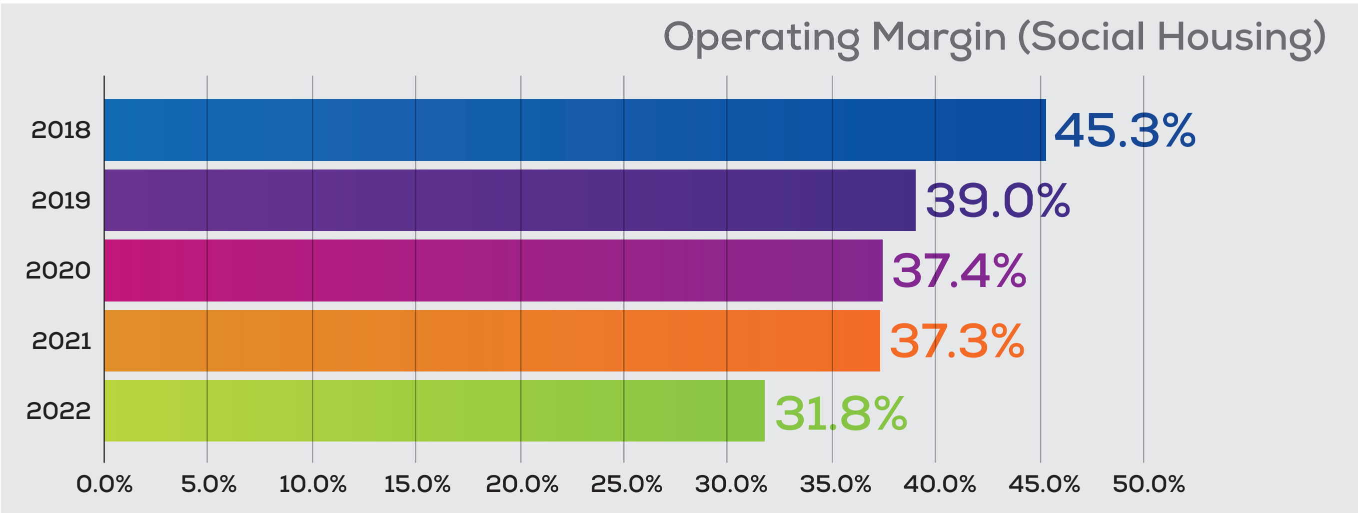
Surplus for the year of £1.510million (2021: £1.713million)



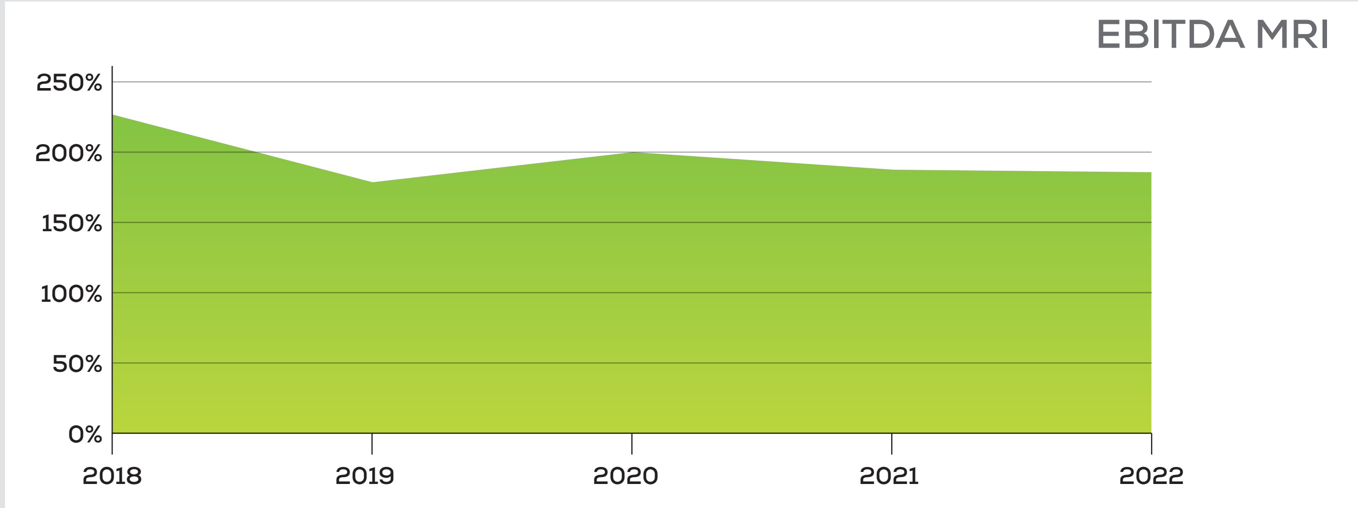
Operating margin (overall) of 30.9% (2021: 34.9%)



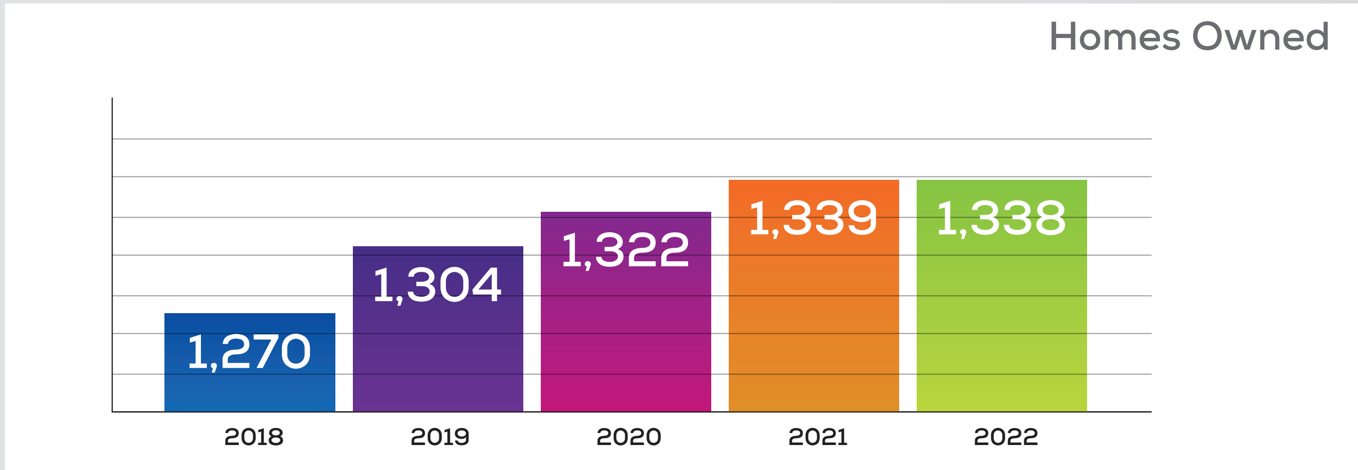
Operating margin (social housing lettings) of 31.8% (2021: 37.3%)



EBITDA MRI 186.6% (2021: 187.1%)



Homes owned 1,338 (2021: 1,339)



How we Deliver Value for Money

We are committed to delivering and demonstrating Value for Money (VfM) in everything that we do for our customers and the communities we serve. This commitment is led by the Board, shared across the whole organisation and embedded in our Corporate Strategy.

Our approach is delivered by our people, through our culture of customer service and VfM, supported by strong leadership, training, individual objective setting and rigorous financial management. Value for Money targets are integrated into our annual planning process in order to ensure it is woven into all that we do.

The Board sets the strategy into which the approach to delivering VfM is embedded into our strategic goals, annual budgets and operational targets, which cascade throughout the business. We have a clear, comprehensive and strategic approach to achieving VfM which includes:

- Setting budgets which deliver the optimum balance of expenditure between investing in services, new and existing homes, and communities.
- Clearly highlighting activities in our Business Plan which will contribute to improving value for money.
- The measurement and regular reporting of performance against Key Performance Indicators which focuses on the quality and efficiency of services provided.
- Rigorous appraisal of all significant projects, including the potential benefits in alternative delivery models.
- A robust assessment process for development and investment opportunities including alignment with our strategic objectives, likely returns on investment, demand for the products and external market conditions.
- An established Procurement Strategy.
- Focus and follow-up on planned savings by the Executive Team and the Board, including regular updates on the progress of forecast savings across relevant projects.
- Robust self-assessment of performance against the VfM standard to ensure compliance, including an assessment of performance which covers customer satisfaction, new homes built, employee engagement and operating margin.
- Benchmarking our performance against our peers and the sector as a whole.
- Review of performance over time to identify trends and areas for further scrutiny.

Reporting on Value for Money

The Value for Money (VfM) Standard issued by the Regulator of Social Housing came into effect in April 2018. This Standard requires Inquilab, as a registered social housing provider, to publish performance against the seven metrics defined by the Regulator in the new Standard, our own metrics and targets, and to provide a comparison against our peers where relevant.

Value for Money Performance

The use of benchmarking information is an important way for us to challenge and understand our performance and costs. We compare how we are doing in a number of ways:

- Against other Registered Providers (RP's) through participation in the Sector Scorecard where we compare our performance against the median for all participating Housing Associations and for a peer group of providers who, like Inquilab, work across London and South East England; and
- Using the Global Accounts, where the performance of the whole sector against the seven metrics contained in the Value for Money Standard is published.

Whilst a year lag exists between available benchmarks and our published financial results, they do still provide an effective comparison of our performance to that of our peers. The 15 measures included within the Sector Scorecard are grouped into Business Health, Development – Capacity and Supply, Outcomes Delivered, Effective Asset Management and Operating Efficiencies.

The Sector Scorecard metrics continue to include the metrics contained within the Value for Money Standard and so we have reported on our performance in a way which is consistent with the Sector Scorecard. Our performance against other performance targets is presented against our peer group published in the Housemark data 2021. Available benchmarks are for the 2021 financial year and so will not reflect a full year impact of the Covid pandemic on financial performance of organisations. A degree of caution is therefore required when drawing conclusions from comparisons of 2022 performance with 2021 performance benchmarks.

Summary	Measure	Our Targets 2022	Outturn 2022	Actual 2021	Peer Median 2021	Top Quartile 2021
Business health	Operating Margin (overall excluding fixed asset disposals)	**29.17%**	**30.92%**	34.90%	19.75%	25.48%
	Operating Margin (social housing lettings excluding disposal of fixed assets)	**29.85%**	**31.78%**	37.30%	24.90%	29.20%
	EBITDA MRI (as a percentage of interest)	**146.71%**	**186.61%**	187.67%	123.50%	164.70%
Development – capacity and supply	New supply – social	**3**	**1**	21	n/a	n/a
	New supply social as a % of total units owned	**0.22%**	**0.07%**	1.57%	0.80%	1.44%
	New supply delivered % (non-Social Housing)	**0.00%**	**0.00%**	0.00%	0.00%	0.00%
	Gearing	**31.81%**	**30.32%**	33.46%	41.92%	33.03%
	Resident satisfaction	**70%**	**47%**	46%	74%	80%
Outcomes delivered	Reinvestment	**5.00%**	**1.54%**	2.64%	3.74%	6.08%
	Return on capital employed (ROCE)	**1.82%**	**2.13%**	2.56%	2.15%	3.03%
Effective asset management	Voids	**1.00%**	**0.71%**	1.02%	n/a	n/a
	Ratio of responsive repairs to planned maintenance	**0.48**	**0.57**	0.66	0.64	0.51
	Headline Social Housing Cost Per Unit (SHCPU)	**£4,974**	**£4,358**	£4,259	£5,545	£4,516
Operating efficiencies	Rent collected	**100.00%**	**98.90%**	98.94%	99.40%	100.17%
	Occupancy	**99.63%**	**98.43%**	98.95%	n/a	n/a
	Overheads as a percentage of adjusted turnover	**17.74%**	**15.17%**	15.26%	12.10%	8.77%

When compared with our peer group, the above indicates that we perform better than our peers in most metrics. However, resident satisfaction, reinvestment, rent collection and new developments measures are key areas where our performance is lower.

As a social business we are committed to continuing to provide the much-needed quality services required by the communities we work in, and to deliver these in a financially sustainable manner.

Operating Margin % (overall): measures the profitability of the organisational operating assets. Although the ratio of 30.92% was better than our target, this was below the previous year's ratio of 34.90%. The decline was mainly driven by the increased expenditure on building safety works.

Operating Margin % (Social Housing): measures the profitability of the social housing operating assets. The ratio of 31.78% was above our target of 29.85%. Whilst our operating margin performance has fallen year-on-year, this is consistent with a trend seen across the housing sector. Our ratio of 31.78% was ahead of the peer group top quartile ratio of 29.20%. Whilst our core revenue stream remains strong, the decline was mainly a result of a continued higher spend on health and safety works undertaken during the year.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover: a key indicator for liquidity and investment capacity as it seeks to measure the level of surplus generated compared to interest payments. The level of cover once major repair spend is included in the calculation was better than expected and can be attributed to lower interest costs that reflect reduced capital expenditure investment in new homes. The ratio for the year was 186.6% compared to the prior year's ratio of 187.1%.

New Supply Delivered % (social housing): sets out the number of new social housing units acquired or developed in the year as a proportion of our total social housing units. Our new homes acquisition programme is behind target for the year primarily due to delays caused by the pandemic lockdown.

New Supply Delivered % (non-social housing units): this sets out the number of non-social housing units. We did not undertake any non-social housing development in the year. Our primary focus is on the development of social housing units.

Gearing: assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. Our ratio of net debt to the carrying value of housing properties decreased to 30.32% from 33.46%.

Resident Satisfaction: improving customer satisfaction continues to be a key strategic priority. We expect the recent launch of the Tenants Apps and CRM Complaint module to deliver improvements in satisfaction levels going forward. Our approach is to use in depth segmentation data we hold to offer individualised services based on the level of engagement and support our customers need to access our services and maintain their tenancies.

By using the full breadth of management information available to us, we have been able to identify pinch points, and this has led us to review our service recovery offer. We are setting stretching targets and performance indicators and communicating these to our customers so that they can hold us to account.

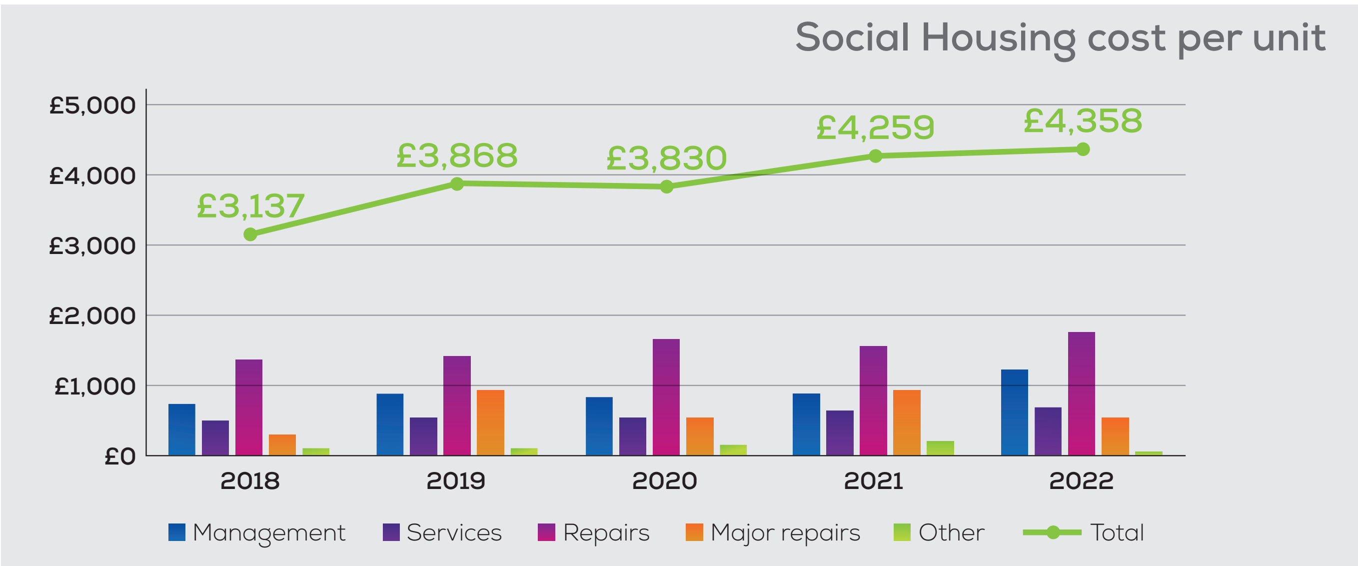
Reinvestment: measures the investment in properties (existing as well as new supply) as a percentage of the net book value of total properties held. Reinvestment was lower than the previous year primarily due to lower additions of new homes to our fixed assets and delays experience in completing our planned work programme leading to lower major works investment. Our goal for the coming years is to continue building/acquiring additional new homes through our partnership arrangements. Our ratio of 1.54% compares less favourably against the peer group median of 3.74%.

Return on Capital Employed (ROCE): measures the efficient investment of capital resources. The metric compares the operating surplus to total assets, less current liabilities. Whilst overall return on capital employed gives an indication of how well the Association makes a financial return on the assets owned, our asset management strategy focuses on improving how the asset base can perform better as well as the qualitative aspect of improving our homes. Return on capital employed (ROCE) for the year March 2022 was 2.13% (March 2021: 2.56%). The decline in the ratio was largely attributable to a lower operating surplus compared to the previous year. The peer group's median score for 2021 was 2.15%.

Occupancy: dipped slightly in the year due to restrictions in place during the year and also due to delays with turning around empty homes which required works.

Headline Social Housing cost per unit: this measures the cost per unit of managing and maintaining our social housing stock. In terms of operating efficiencies, our Headline Social Housing Cost Per Unit has increased from the previous year, partly due to reasons covered off above. The reported figure is inclusive of both capitalised and expensed major repairs expenditure. Our cost per unit increased to £4,359 from £4,259 mainly as result of increased spend on building safety works. The 2021 Peer Association figure was £5,549.

Our cost per unit breakdown in £



Year to March	Management	Services	Repairs	Major repairs	Other	Total
2022	£1,217	£704	£1,767	£575	£95	£4,358
2021	£892	£656	£1,554	£928	£229	£4,259
2020	£859	£554	£1,691	£534	£192	£3,830
2019	£890	£537	£1,417	£928	£96	£3,868
2018	£749	£528	£1,403	£324	£133	£3,137

Peer Association – Cost per unit comparison

Whilst we have benchmarked ourselves against other peer members, their activities are not an exact match to our diverse range of activities. We have therefore worked with Housemark to benchmark key elements of our costs, which are in common with Inquilab. Housemark benchmarking analysis highlights the two most significant drivers of cost per unit as the size of the Association with larger associations benefitting from economies of scale and revenue mix.

The tables above show our performance over the last five years. Our social housing cost per unit at £4,359 is lower compared with the peer group. We continue to focus our efforts on further reducing our cost base and continuing the drive towards efficiency and improved performance in our overall social housing cost base. Our management costs increased to £1,217 from £892 following an internal reorganisation to improve the service delivery to our residents. Cost of repairs increased to £1,767 mainly as result of increased spend on building safety works.

We continue to invest in our communities with an increase in spending across resident training, capacity building, apprenticeships, work placements, and other activities associated with community engagement.

How our customers contribute

We involve our customers and residents in decisions that affect frontline services through our Residents Panel. These groups have an important scrutiny role, ensuring that we deliver and continue to improve. Our resident involvement framework sets out how we engage with the wider resident community to ensure that their views are representative.

Compliance

Regulation

We achieved the top G1 governance rating from our regulator and retained the top V1 rating for financial viability. This demonstrates the Regulator of Social Housing has confidence in the arrangements we have in place for managing and governing the Association.

At its July 2022 meeting, the Board reviewed a detailed evidence-based assessment of our compliance with the Regulator of Social Housing's Regulatory Standards. Compliance against the Consumer Standards was reviewed in detail by our Customer Committee and The Audit and Risk Committee reviewed the detailed evidence of our compliance with the Economic Standards. These reviews were reported to the Board who satisfied themselves with the Association's continued compliance with regulation, including with the Governance and Viability Standard and all relevant law.

Code of governance

We have adopted the NHF Code of Governance 2020 and, following a detailed assessment against the provisions of the Code, the Board has confirmed its full compliance with the Code.

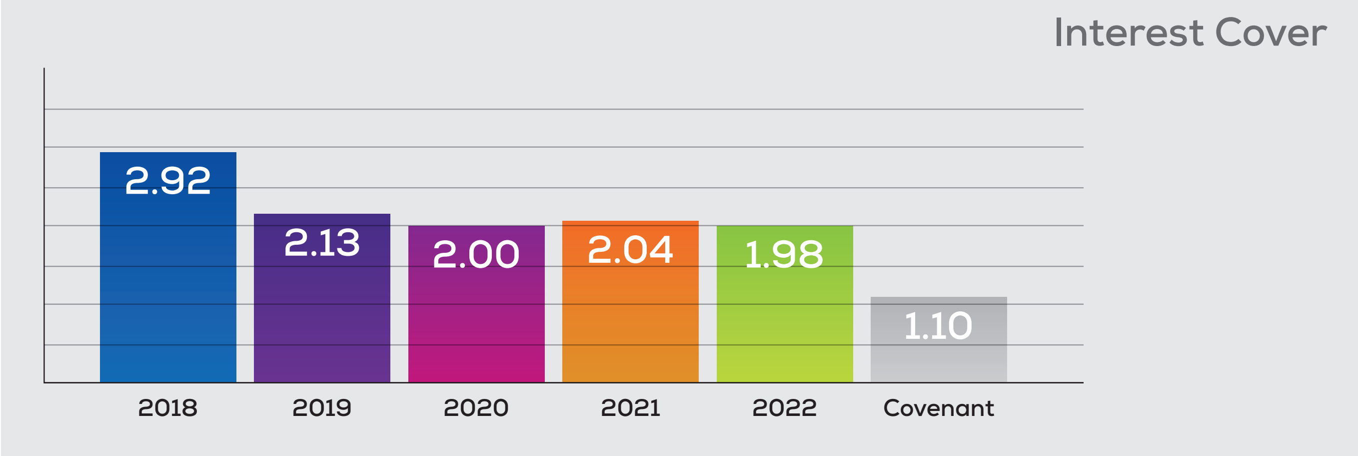
Compliance with reporting standards and legislation

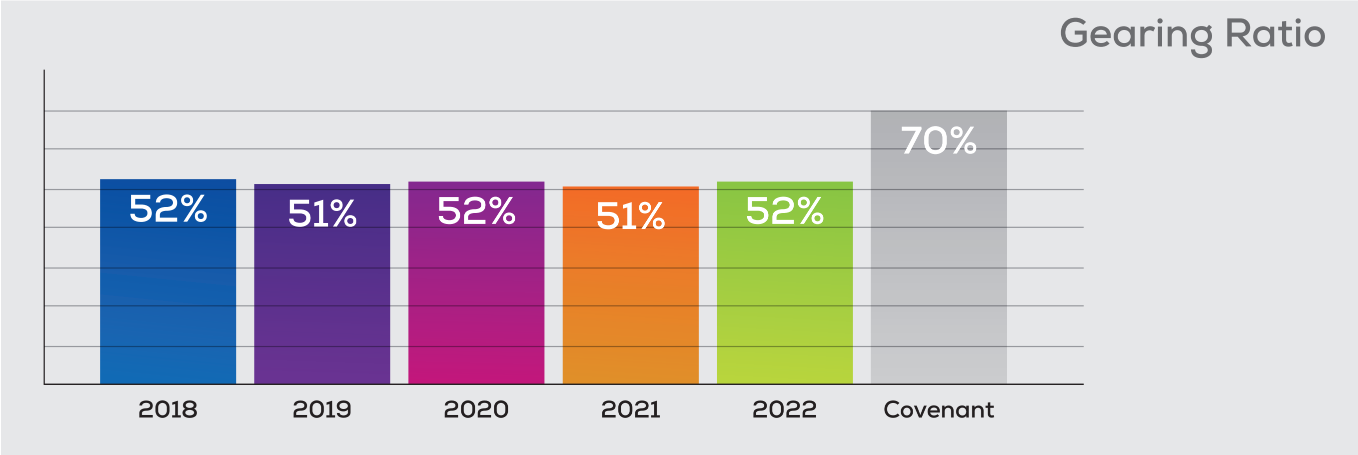
The Board further confirm that this report has been prepared in accordance with the applicable reporting standards and legislation.

Compliance with loan covenants

Loan covenants are monitored regularly in accordance with the governance framework and were met throughout the year. These are forecast to be continually met for all loan facilities with sufficient buffer to remain above risk tolerance levels set by the Board. We continue to operate within the limits set by its lenders, based primarily on gearing and interest cover.

We achieved the top G1 governance rating from our regulator and retained the top V1 rating for financial viability.





Principal Risks and Uncertainties

Our Approach

We recognise that an effective risk management framework embedded in practices and behaviours across the Association is fundamental to achieving our strategic objectives. The Board has overall responsibility for risk management. It is supported in this role by the Audit and Risk Committee ("ARC").

Risk is a standing item at all ARC and Board meetings, with the Executive Team responsible for identifying, evaluating, managing, and reporting any strategic risk. Operational risks are largely the responsibility of directors, but with Executive Team and ARC oversight and challenge.

Risk Appetite

We operate in a complex and ever-changing economic and political environment. In that context, risk appetite is a powerful tool, not only in our decision-making but also in improving overall performance. The Board is responsible for setting our overall direction. It ensures that we have an appropriate, robust and prudent risk and internal control framework. This year the Board conducted an extensive review of our risk and control framework in light of uncertainties in the operating environment relating to the pandemic and our changing trade relationship with the EU.

The Board has assessed that the risks in the following table are those most likely to influence our future viability, performance, and reputation. We have put in place strategies against each of the risks that have been identified.

Strategic Risks	Mitigations	Appetite
1. **Major Health and Safety Incident** Appropriately respond to a major health and safety disaster or safeguarding incident which has implications for Inquilab properties, customers and/or employees	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening. Will ensure effective asset / landlord compliance control measures are in place to meet RSH Consumer standards and legal obligations.	CAUTIOUS
2. **Regulation and external environment** Appropriately responding to changes in government policy or the external/economic environment and meeting all regulatory and legal requirements	Minimise risk of non-compliance by maintaining sound systems of governance, compliance and internal control, supported by an effective assurance framework, including regular horizon scanning.	CAUTIOUS
3. **Financial Resilience** Financial viability and sustainability. Ability to manage finances effectively to maximise long term viability & financial capacity, respond to emerging legal or regulatory requirements (e.g., around net zero carbon homes) and ensure value for money savings are delivered	We will stress test investment decisions and business plans so that these would not lead us to contravene our own covenants and golden rules under a wide variety of scenarios and take proactive measures to ensure that income streams are protected.	CAUTIOUS
3(a). **Income Management** The impact of welfare reform on our cashflow is greater than that assumed in our Financial Plan		CAUTIOUS
4. **Growth** Ability to deliver the homes targets assumed by 2024	To be ambitious in delivering our strategic objective to meet housing need and support sustainable communities, but without putting the overall financial viability of the business at risk.	OPEN
5. **Services and Customer Experience** Not providing quality services that lead to an improvement in resident satisfaction	High customer satisfaction on quality of service and homes is a key organisational objective. We will be open to opportunities to engage customers and improve satisfaction.	OPEN

Strategic Risks	Mitigations	Appetite
6. **Data Governance and Information Management** Insecure processing of personal and corporate data, inaccurate data, not meeting high standards of data integrity	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening.	CAUTIOUS
7. **Asset Management** Not achieving good asset performance/ meeting sustainability targets (includes having adequate data to respond to any future government requirements around property condition and sustainability e.g. net zero carbon)	Homes must meet regulatory and statutory standards. Good quality homes are fundamental to our business, resident satisfaction and safety and so we have a cautious approach to taking risk in this area. All homes will be built and maintained to current requirements based on age/type of construction. Components will be replaced as surveyed for identified need. Professional stock surveys undertaken per identified need.	CAUTIOUS
8. **People** Inability to Recruit and retain the right People that are motivated, professional and dedicated to our values	Will be forward thinking in terms of embedding a visible culture and shared values. Will implement resilient succession planning and people development programmes. Will take decisions for the long-term benefit of the organisation.	OPEN
9. **Governance** Ability to ensure our Governance arrangements are accountable and effective and the Board possesses the appropriate skills and experience	We will adopt and follow good practice in all governance arrangements. We will seek to control risks here as far as possible.	CAUTIOUS
10. **Fraud** Major fraud incident occurs (including theft, money laundering and tenancy fraud)	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening.	CAUTIOUS
11. **Counter Party** Key counter parties unable to deliver on their commitments	We will ensure a full awareness of the risks involved by working proactively with partners to deliver key services. There is scope to be innovative in how these services are delivered but we will not risk any failure to deliver key services.	OPEN

Going Concern

Our business activities, current financial position, and factors likely to affect our future operations are set out within our business plan. The 30-year business plan is a forward-looking document which is tested against a range of scenarios which could give rise to significant financial exposure. The Board has assessed the viability of the Association over a five-year period. The Board's assessment is also supported by the longer 30-year financial forecast shared annually with the regulator and the annual review of the adequacy of resources available to the Association to prepare the financial statements on a going concern basis. The Board is satisfied that no material nor significant exposures exist, other than as reflected in these financial statements. The Board is, therefore, assured that the plan is appropriately funded and is sufficiently robust to ensure there will be no financial covenant breaches over the 12 months from the date of approval of the financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Association to continue as a going concern have been identified by the key management personnel after taking into account the relevant facts and circumstances.

Our business has a robust risk and internal control framework as well as cash reserves, uncharged assets and adequate resources to finance our future development ambitions, day to day operations for the foreseeable future. For these reasons, the going concern principle has been applied in preparing these financial statements.

Cash Flow and Liquidity

Cash flow from operating activities during the year was £4.31 million (2021: £4.92 million). We had cash reserves of £14.18 million at 31 March 2022 (2021: £7.57 million).

Capital Structure

Our assets are financed by a combination of:

- **social housing grants of £67 million (41%),**
- **private finance (loans) of £61 million (37%), and**
- **internally generated funds of £35 million (22%)**

Rent Policy

In line with the government's objective of rent harmonisation across the social housing stock, our rent policy is regularly reviewed to ensure compliance. On average our affordable rents are set at 72% of the market rent. The average assured rent charged during the year to 31 March 2022 was £115.70 (March 2021: £114.08).

Reserves Strategy

Our policy on reserves is to build up sufficient funds from our income to provide a safe working margin for our business and to produce comfortable cover for all our medium and longer-term loans and other liabilities.

Our policy on major repairs is to set a strategy that matches the build-up of the liability arising from the ageing of our properties over their assumed lives. Our strategy is to therefore use the reserves to:

- **Upgrade the current stock in line with return on asset initiatives**
- **Subsidise the development of new homes**
- **Improve our service delivery to residents; and**
- **Invest in our communities.**

Assessment of the Effectiveness of Internal Controls

The Board has overall responsibility for the Association's system of internal control and for monitoring its effectiveness. Our internal control system is designed to manage, rather than eliminate, the risk of failure to achieve our objectives and can only provide reasonable, and not absolute, assurance that we are not exposed to material misstatement or loss.

The Audit & Risk Committee (ARC) has been in operation throughout the relevant period and has overseen the effectiveness of the system of internal control by considering risk reports, internal audit reports, management assurances, the external audit management letter, and specialist reviews. Material risk or control matters are reported by the ARC to the Board.

The Board confirms that the key processes for identifying, evaluating, and managing the significant risks faced by the Association have been in place throughout the year and reviewed up to and including the date of approval of the annual report and financial statements. Some of the key policies and processes that the Board has established to provide effective internal control include:

- **Clearly delegated powers to Board committees, and the Executive Team**
- **Robust strategic and business planning processes with detailed financial budgets and forecasts**
- **Regular reporting to the Board and appropriate committees on key business objectives, targets and outcomes**
- **Regular Board review of risk management processes**
- **Documented policies and procedures for all key operational areas**
- **Maintaining a fraud register and related processes including the review of the register at ARC meetings**
- **Adoption of an internal audit programme monitored by the ARC**
- **Board review of the external audit management letter, and ARC members' interview with Nexia Smith Williamson (external audit) and Mazars (internal audit) without staff members present**
- **Review of all regulatory reports**
- **Staff being fully conversant with key controls and procedures relating to financial operational systems.**

We have a suite of probity policies designed to tackle fraud, bribery, corruption, theft, and breaches of regulations. These are reviewed regularly.

The ARC has received and reviewed assurance on the effectiveness of the system of internal control for the Association, together with the annual report of the internal auditor. It has reported its findings to the Board through an annual report to the Board and the minutes of its meetings.

Significant work was undertaken during the year to improve control processes and to build on the work of the previous year. Strengthening the risk, control, and assurance framework remains a priority for ARC and the Board.

The Board confirms that there are no material weaknesses which require disclosure in these financial statements.

Donations

We made no political donations during the year (2021: £nil).

Auditors

All current Board members have taken all the steps required to make themselves aware of any information needed by our 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.

Nexia Smith & Williamson expressed its willingness to continue to act as our external auditors.

Looking Ahead

We know that 2022 and the years ahead will remain challenging. Covid is not going away; there are no signs of peace between Russia and the Ukraine, and the cost of living is poised to rise even further as inflation and interest rates increase.

Inquilab is not an organisation to sit still and our priorities for the coming year are to:

- Prioritise safety, ensuring our homes – and residents – are safe, including our commitment to a zero-tolerance approach to ASB.
- Get closer to our residents and identify their differing needs and how the economic and wellbeing environments are impacting them
- Collaborate and work with other partnerships and organisations to help deliver quality services and support for our residents, as well as drive scale of economy for greater value-for-money
- Improve resident's satisfaction by further refining and developing our repair and maintenance service
- Prepare for the introduction of the Tenant Satisfaction Measures in April 2023
- Continue investing in developing our homes, including the development of Renells Way in Hounslow where we are constructing a further 16 new homes
- To conclude our damp and mould investigations and publish our repair and planned maintenance schedule
- Ensure we have a greater understanding of our properties, including what we need to do to meet the Government's 2050 carbon neutral targets
- Tackle inequality and support the housing and cultural needs of our community and employees
- Invest in our organisation's structure and people
- Complete the roll-out of our 'My Inquilab' residents App (launched in April 2022)

In addressing our priorities, we will:

- Continue to invest in technology and efficiency
- Deliver value for money in all we do
- Work collaboratively with partners and others to deliver our services and develop more homes
- Maintain a strong business where risks are robustly managed
- Establish strong foundations to underpin the delivery of quality services.

Above all, we will continue to put the safety of our residents first, ensuring our properties are safe for people to live in and that we communicate safety messages in a way that our residents trust and understand.

Gina Amoh (Secretary)
Date: 18 July 2022

Independent Auditor's Report

to the members of Inquilab Housing Association Limited

Opinion

We have audited the financial statements of Inquilab Housing Association Limited (the "Association") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and Reserves and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- **Give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its surplus for the year then ended;**
- **Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and**
- **Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 Association'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 with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Review and Financial Statements, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the Annual Review and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 6, 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 controls as the Board determines 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 is responsible for 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 the directors either intend to liquidate the Association 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.

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:

We obtained a general understanding of the Association's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the Associations' policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing understanding of the Association's industry and regulation.

We understand that the Association complies with the framework through:

- **Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;**
- **A programme of internal audit performed by an independent firm of internal auditors;**
- **Independent health and safety reviews across identified compliance areas;**
- **A dedicated health and safety compliance officer;**
- **A risk assessment framework and register that includes regular review and scrutiny by the Audit and Risk Committee;**
- **An annual assessment of compliance with housing association regulations; and**
- **The Board's close oversight through regular board meetings and compliance reporting.**

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Association's ability to conduct operations and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the association:

- **FRS 102, the requirements of 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, in respect of the preparation and presentation of the financial statements;**
- **Health and safety regulations, including building and fire safety; and**
- **Housing association regulations.**

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- **Making enquiries with management and the Audit and Risk Committee as to the risks of non-compliance and any instances thereof; and**
- **Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence between regulators and the Association.**

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- **Management override of control; and**
- **Revenue recognition, specifically the manipulation of revenue through fraudulent journal entries.**

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- **Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the Association's processes and controls surrounding manual journal entries;**
- **Reviewing and challenging estimates made by management; and**
- **Substantive work on revenue transactions.**

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with Association's with similar risk profiles.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Nexia Smith and Williamson
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7QA
Date: 28 July 2022

Statement of Comprehensive Income

Year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	2	10,445	10,186
Cost of Sales	2	-	-
Operating expenditure	2	(7,215)	(6,631)
Gain on disposal of housing properties	2/5	344	557
Operating surplus	2	**3,574**	**4,112**
Interest receivable	6	10	12
Interest payable and financing costs	7	(2,065)	(2,044)
Movement in fair value of investment	11	(45)	(60)
Surplus for the financial year		**1,474**	**2,020**
Other comprehensive income			
Actuarial gain/(loss) for the year on defined benefit pension obligation	17	36	(307)
Total comprehensive income for the financial year		**1,510**	**1,713**

All amounts relate to continuing activities.

Statement of Financial Position

Year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Housing properties	9	155,399	155,246
Other property, plant & equipment	10	2,514	2,513
		157,913	**157,759**
Current assets			
Investments	11	1,334	852
Trade and other debtors	12	507	475
Cash & cash equivalent		14,179	7,567
		16,020	**8,894**
Creditors amounts falling due within one year	13	(6,231)	(6,063)
Net current assets		**9,789**	**2,831**
Total assets less current liabilities		**167,702**	**160,590**
Creditors: amounts falling due after more than one year	14	(131,950)	(126,304)
Provisions for liabilities			
Pension provision	17	(375)	(465)
Other provisions	18	(207)	(161)
Total net assets		**35,170**	**33,660**
Reserves			
Revenue reserve		35,170	33,660
Total reserves		**35,170**	**33,660**

These financial statements were approved by the Board and signed on its behalf by:

Pamela Leonce
Chairperson

Jack Stephen
Chair – Audit & Risk

Gina Amoh
Secretary

Date of approval: 18 July 2022

Statement of Cash Flow

Year ended 31 March 2022

	2022 £'000	2021 £'000
Net cash generated from operating activities (see Note 22)	4,310	4,918
Cash flow from investing activities		
Addition to other fixed assets	(188)	(119)
Addition to Housing Properties	(2,393)	(4,071)
Proceeds on disposal Housing Properties	815	1,061
Grants	-	-
Interest received	10	6
	(1,756)	(3,123)
Cash flow from financing activities		
New Loans	10,000	2,000
Interest paid	(2,372)	(2,181)
Loans repaid	(8,349)	(3,124)
Issue Premium received	4,961	-
Grants repaid	(182)	(78)
	4,058	(3,383)
Net change in cash and cash equivalents	6,612	(1,588)
Cash and cash equivalents at beginning of the year	7,567	9,155
Cash and cash equivalents at end of the year	14,179	7,567

Analysis of debt	1 April 2021 £'000	Cash flow £'000	Non cash £'000	31 March 2022 £'000
Cash at bank and in hand	7,567	6,612	-	14,179
Current asset investments	852	521	(39)	1,334
Loans				
Short-term loans	(3,001)	3,001	(3,044)	(3,044)
Long-term loans	(56,130)	(4,779)	3,171	(57,738)
Net Debt	(50,712)	5,355	88	(45,269)

Statement of changes in Equity and Reserves

Year ended 31 March 2022

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2021	-	33,660	33,660
Total comprehensive income for the year	-	1,510	1,510
Balance at 31 March 2022	-	35,170	35,170

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2020	-	31,947	31,947
Total comprehensive income for the year	-	1,713	1,713
Balance at 31 March 2021	-	33,660	33,660

Notes to the Financial Statements

Year ended 31 March 2022

1 PRINCIPAL ACCOUNTING POLICIES

1.1 Legal Status

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH).

The Association's principal activities are stated in Report of the Board of Management on page 6.

The Association's registered office is Unit 3, 8 Kew Bridge Road, Brentford, London, TW8 0FJ.

1.2 Accounting basis

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2018) and comply with the Accounting Direction for private registered providers of social housing 2019 ("the Direction"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Association's accounting policies.

In accordance with FRS 102 (3.3A), the Association is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements are presented in sterling (£'000).

1.3 Going concern

Our business activities, current financial position, and factors likely to affect our future operations are set out within our business plan. The 30-year business plan is a forward-looking document which is tested against a range of scenarios which could give rise to significant financial exposure. The Business plan was scrutinised and approved by the Board, which was satisfied that no material nor significant exposures exist, other than as reflected in these financial statements. The Board is, therefore, assured that the plan is appropriately funded and is sufficiently robust to ensure there will be no financial covenant breaches over the 12 months from the date of approval of the financial statements.

Our business has a robust risk and internal control framework as well as cash reserves, uncharged assets and adequate resources to finance our future development ambitions, day to day operations for the foreseeable future. For these reasons, the going concern principle has been applied in preparing these financial statements.

1.4 Significant judgements and estimates

Preparation of the financial statements in conformity with general accepted accounting practices requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

Judgements

The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Identification of housing property components

Housing property depreciation is calculated on a component-by-component basis. The identification of such components is a matter of judgement and may have material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Categorisation of housing properties as investment properties or property, plant and equipment

Class of properties within the category of housing properties that are held to earn commercial rentals or for capital appreciation or both are accounted for as investment properties. Properties rented to provide social housing and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Bad debt provision

The rent debtors balance of £621k (2021: £442k) and the provision for bad debt amount of £358k (2021: £319k) recorded in the Association's Statement of Financial Position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Multi-employer pension obligation

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation, salary growth rates and mortality rates. The Pensions Trust provided base assumptions which the Association has flexed to reflect more accurately the particular circumstance of the organisation. In determining the appropriate discount rate, consideration is made of the interest rates of corporate bonds with at least an AA rating. Inflation is set by considering market expectations, salary growth is set by aligning with the Association's business plan and mortality rates have been adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The value of the provision is highly sensitive to relatively small changes in assumptions. At 31 March 2022, a liability of £375k (2021: £465k) for pensions is recorded in the Statement of Financial Position.

Useful lives of components

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2022 was £25.8 million (2021: £24.3 million).

1.5 Turnover and revenue recognition

Turnover comprises rental and service charge income, income from shared ownership first tranche sales and sales of properties built for sale, fees and revenue grants receivable from local authorities, government grants received for housing properties recognised in income on a systematic basis and other income.

Rental and service charge income is recognised in the period to which it relates net of rent and service charge losses from voids. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Service charge for shared ownership properties and other income are accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of variable service charge amounts due is reflected as a creditor or debtor respectively.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. First tranche sales are included within turnover and the related portion of the cost of the asset recognised as cost of sales. The resultant surplus or deficit on first tranche sales is recognised within the income statement.

Government capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight-line basis over the expected life of the asset which they have funded.

1.6 Short term employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

1.7 VAT

Since a large proportion of the Association's income, including its rents, is exempt for VAT purposes whilst the majority of its expenditure is subject to VAT that cannot be reclaimed, expenditure is shown inclusive of irrecoverable VAT.

1.8 Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

1.9 Sale of properties

Sales of housing properties and stock are recognised at the date of completion of each property sold. Grant in respect of sales of housing properties under the Right to Acquire (RTA) are credited to the Recycled Capital Grant Fund in accordance with the Direction. This will be utilised to fund future housing programmes.

Gains or losses arising on the sale of properties are determined as the difference between the sale proceeds and the carrying amount of the property and are recognised as part of the surplus/deficit for the year.

1.10 Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities, provided that the surpluses are applied to the charitable objects of the Association.

1.11 Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Where the Association has a mixed tenure development which has more than one element, the Association allocates the cost of the land to each element of the scheme to reflect the respective values of the land for the different tenure types.

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives.

The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

The Association depreciates the major components of its housing properties at the following annual rates:

	Estimated useful life
House structure	100 years
Roof structure and covering	70 years
Windows and external doors	30 years
Bathrooms	30 years
Kitchens and lifts	20 years
Central heating boilers and hard-wired alarms	15 years
Heating, ventilation and plumbing systems	30 years
Electrics	40 years

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The split is determined by the percentage of the property sold under the first tranche disposal and the remainder retained by the Association. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

The Association does not depreciate Shared ownership properties as the residual value is estimated to be equal to the cost of the properties. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual values of fixed assets, their useful lives, and their depreciation rates are reviewed at each reporting date and where there is an indication of a significant change since the previous reporting date, they are adjusted prospectively.

1.12 Property, plant and equipment

Property, plant and equipment comprises other fixed assets and are stated at cost less accumulated depreciation.

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.

Leased Properties are written down over the life of the lease or the useful life of the asset if shorter. The maximum useful life is 100 years.

The principal annual rates used for other assets are:

Furniture, fixtures and fittings	25%
Computers and office equipment	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

1.13 Work in progress and properties held for sale

Stocks and work in progress is stated at the lower of cost and net realisable value. Additions to these properties include the costs of finance charges specifically related to the funding of the purchase and development of the property, except that interest costs incurred prior to construction and after practical completion are written off in the period to which they relate.

Properties completed for outright sale and the proportion of shared ownership properties expected to be sold under first tranche sales are recorded within current assets at the lower of cost and net realisable value. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

1.14 Financial instruments

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loan balances.

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted

at a market rate of interest for a similar debt instrument. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial instruments and investments in equity instruments are recognised at fair value with any gains or losses being reported in surplus or deficit.

Financial assets are only derecognised when and only when:

- **the contractual rights to the cash flows from the financial asset expire or are settled,**
- **the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or**
- **the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.**

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments represent a debt service reserve fund which is equivalent to one year's interest on the THFC loan and comprise cash and investment in gilts. Investments are measured at fair value.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits and bank overdrafts which are an integral part of the Association's cash management. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1.15 Impairment

Non-financial assets

Non-financial assets comprise housing properties, property, plant and equipment and stock.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the value in use for assets held for their service potential, being the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise investments, trade and other debtors and cash and cash equivalents.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.16 Government grants

Government grants include grants receivable from the Homes England, Greater London Authority (the GLA), local authorities, and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the RSH.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors. If unused within a three-year period, grants received from the Greater London Authority or Homes England are repayable, including any accrued interest. The development programme of the Association is such that the recycled grant is expected to be re-used before it becomes repayable. Any unused recycled capital grant held within the recycled capital grant fund is disclosed in the balance sheet, split between creditors falling due within one and after one year. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

1.17 Pensions

The Association operates a defined benefit scheme and a defined contribution scheme. All staff in the Social Housing Pension Scheme (SHPS) pension scheme only make contributions into the defined contribution scheme. Contributions to the defined contribution scheme are charged to the statement of comprehensive income as they become payable. The annual employer contributions payable is charged to the income and expenditure account. The SHPS defined benefit scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. The SHPS defined benefit scheme closed to new accruals from 30th September 2015.

The assets of the schemes are held separately from those of the Association.

The Association is part of the Social Housing Pension Scheme, a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. Sufficient information is available for the Association to account for its obligations on a defined benefit basis. As such, the Association recognises in its statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

1.18 Leases

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Rentals paid or receivable under operating leases are recognised to the Statement of Comprehensive Income on a straight-line basis over the term of the lease, including where payments or receipts are not required to be made on a straight-line basis. Lease incentives are similarly spread on a straight-line basis over the relevant lease terms.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

1.19 Provisions for liabilities

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated, and it is probable that a transfer of economic benefit will be required to settle the obligation.

1.20 Revenue reserves

Revenue reserves relate to the cumulative surpluses less amounts transferred to designated and restricted reserves.

2 LETTINGS AND OTHER RELATED INFORMATION

2(a) PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

	2022			2021		
Analysis of debt	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 2b)	10,422	(7,110)	3,312	10,139	(6,357)	3,782
Other social housing activities						
First tranche shared ownership sales				-	-	-
Gain on disposal of housing properties	-	-	344	-	-	557
Other	23	(105)	(82)	47	(274)	(227)
Total	10,445	7,215	3,574	10,186	(6,631)	4,112

2(b) PARTICULARS OF TURNOVER AND OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Housing Accommodation £'000	Shared Ownership £'000	Total 2022 £'000	As restated Total 2021 £'000
Income				
Rents receivable net of identifiable service charges	8,271	444	8,715	8,500
Service charges receivable	687	186	873	801
Water Rates Receivable	24	-	24	25
Amortised government grants	772	38	810	813
Turnover from social housing lettings	9,754	668	10,422	10,139
Operating expenditure				
Service charge costs	726	215	941	879
Management	1,600	29	1,629	1,195
Routine maintenance	1,575		1,575	1,346
Major repairs	250		250	255
Bad debts	92		92	71
Planned Maintenance	789		789	735
Depreciation of housing properties	1,764		1,764	1,736
Loss on disposals and component replacements	47		47	108
Water rates	23		23	33
Operating expenditure on social housing lettings	6,866	244	7,110	6,357
Operating surplus on social housing lettings	2,888	424	3,312	3,782
Rent losses from voids	64	-	-	89

3 BOARD MEMBERS & DIRECTORS' EMOLUMENTS

For the purpose of this note, the directors are defined as the Board Members, the Chief Executive and the Senior Staff Team.

	2022 £'000	2021 £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	370	332
Pensions Contribution	24	22
Emoluments paid to the highest paid director of the Association excluding pension contributions	124	121
Pensions contributions in respect of the highest paid director	9	9

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS). SHPS is a defined contribution scheme. The employers' contribution rate is currently set at between 6.45% and 8.45%.

Board member remuneration	2022 Total £'000	2021 Total £'000
Pamela Leonce	8.0	8.0
Vivien Knibbs	3.7	1.2
Nisha Makwana (Resigned December 2021)	1.5	2.0
Puneet Rajput	3.0	3.0
Gordon Mattocks (Resigned December 2021)	1.5	2.0
Peter Calderbank (Resigned October 2020)	-	2.3
Peta Caine	2.0	2.0
John Barr	2.0	2.0
Katie Wilmot	2.3	2.5
Wasiu Fadahunsi (Joined December 2021)	0.7	-
Chyrel Brown (Joined December 2021)	0.8	-
Rajkoomar Jahanara (Joined December 2021)	0.7	-
	31.4	25.0

4 EMPLOYEE INFORMATION

	2022 Number	2021 Number
The average weekly number of persons (including the Chief Executive) employed during the year was (full time equivalents based on 35 hours per week):	19	21
Staff costs during the year:	£'000	£'000
Wages and salaries	1,088	1,061
Social security costs	125	120
Pension costs	70	70
Redundancy costs	79	-
	1,362	1,251

Salary banding for all employees earning over £60,000 (including salaries, performance-related pay and benefits in kind but excluding pension contributions paid by the employer and any termination payments):

Bands	2022 Number	2021 Number
£60,000 - £70,000	4	4
£70,001 - £80,000	-	-
£80,001 - £90,000	2	1
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
Total	8	7

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2022 £'000	2021 £'000
Disposal proceeds	815	1,061
Carrying value of fixed assets	(429)	(471)
Grant amortised	(34)	(28)
Selling cost	(8)	(5)
	344	557

6 INTEREST RECEIVABLE

	2022 £'000	2021 £'000
Bank interest	4	6
Investment income	6	6
	10	12

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £'000	2021 £'000
SHPS pension – interest expense	10	5
Loans and bank overdrafts	2,342	2,085
Net cost and premium in respect of raising finance	(259)	(46)
	2,093	2,044
Interest payable capitalised on housing properties under construction	(28)	-
	2,065	2,044
Capitalisation rate used to determine the finance costs capitalised during the period	4.15%	-

8 SURPLUS FOR THE YEAR

	2022 £'000	2021 £'000
Is stated after charging:		
Auditor's remuneration (excluding VAT):		
- in their capacity as auditor	32	32
- other services	5	6
Depreciation	1,951	1,964

9 HOUSING FIXED ASSETS

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership housing properties £'000	Total £'000
Cost				
At 1 April 2021	160,408	-	19,100	179,508
Properties acquired	412	1,310	-	1,722
Works – existing properties	151			151
Component additions	520		-	520
Disposals	(480)		(253)	(733)
At 31 March 2022	**161,012**	**1,310**	**18,847**	**181,168**
Depreciation and impairment				
At 1 April 2021	24,262	-	-	24,262
Charged for year	1,764	-	-	1,764
Disposals	(257)	-	-	(257)
At 31 March 2022	**25,769**	**-**	**-**	**25,769**
Net book value				
At 31 March 2022	**135,243**	**1,310**	**18,847**	**155,400**
At 31 March 2021	136,146	-	19,100	155,246

The cost incurred on improvement works to existing properties during the year is analysed as follows:	2022 £'000	2021 £'000
Amounts capitalised (all relating to components)	671	987
Amounts charged to the income and expenditure account	250	255

Carrying amount of secured and unsecured properties	2022 £'000	2021 £'000
Secured properties	94,512	82,148
Unsecured properties	60,888	73,098
	155,400	155,246

10 OTHER TANGIBLE FIXED ASSETS

	Long Leased Office Premises £'000	Office Furniture and Equipment £'000	Total £'000
Cost			
At 1 April 2021	2,346	1,175	3,521
Additions		188	188
Disposals		(61)	(61)
At 31 March 2022	**2,346**	**1,302**	**3,648**
Depreciation			
At 1 April 2021	94	914	1,008
Charge for year	23	164	187
Disposals		(61)	(61)
At 31 March 2022	**117**	**1,017**	**1134**
Net book value			
At 31 March 2022	**2,229**	**285**	**2,514**
At 31 March 2021	2,252	261	2,513

11 INVESTMENTS

The Association deposited £1,040k which is held in trust on behalf of The Housing Finance Corporation as part of the loan agreement. As at March 2022 the balance including accrued interest was £1,334k (2021: £852k). Fair value movement of the investment recognised in the Statement of Comprehensive Income is £45k: (2021: (£60k).

12 TRADE AND OTHER DEBTORS

Amounts receivable within one year:	2022 £'000	2021 £'000
Rent arrears	**621**	442
Housing benefits in arrears	**117**	263
Less: provision for bad debts	**(358)**	(319)
	380	386
Prepayments and accrued income	**120**	89
Other debtors	**7**	-
	507	475

13 CREDITORS

Amounts falling due within one year:	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Trade creditors		**445**		276
Taxation and social security payable		**37**		37
Loan repayments (note 16)	**3,044**		3,001	
Issue premium (30-year bond)	**379**	**3,423**	137	3,138
Loan interest		**94**		98
Other creditors and accruals		**762**		1,057
Recycled Capital Grant Fund (note 19)		**120**		182
Rent in advance		**539**		462
Deferred grant income (note 15)		**811**		813
		6,231		6,063

14 CREDITORS

Amounts falling due after more than one year:	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Deferred grant income (note 15)		**65,900**		66,900
Housing loans (note 16)	**57,738**		56,130	
Issue Premium (30-year bond)	**7,875**	**65,613**	2,943	59,073
Recycled Capital Grant Fund (note 19)		**437**		331
		131,950		126,304

15 DEFERRED GRANT INCOME

	2022 £'000	2021 £'000
At 1 April	67,713	68,707
Grant received in the year	-	-
Grant repaid in the year	-	(6)
Recycled on disposal	(226)	(203)
Released to income in the year	(810)	(813)
Released on disposal	33	28
At 31 March	66,710	67,713
Amounts to be released within one year	810	813
Amounts to be released in more than one year	65,900	66,900
	66,710	67,713

	2022 £'000	2021 £'000
Government grant previously amortised to income	14,369	13,593
Government grant included in deferred income	66,710	67,713
Total government grant received	81,079	81,306

Previous stock swaps entered into by the Association have resulted in associated grants of £7.81m (2021: £7.81m). These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a liability for the Association should the respective properties be sold.

16 HOUSING LOANS

Housing loans from lending institutions are secured by specific charges on the Association's housing properties at rates of interest between 0.339% and 6.455%. They are repayable in instalments due as follows:

	2022 £'000	2021 £'000
In five years or more	38,145	32,991
Between two and five years	16,929	20,470
Between one and two years	3,171	3,044
Loan finance costs	(507)	(375)
	57,738	56,130
In one year or less	3,044	3,001
	60,781	59,131

17 PENSIONS

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme.

Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore, the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 inclusive.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

Pension scheme liabilities recognised in the Statement of Financial Position	2022 £'000	2021 £'000
Pension obligations recognised as Defined Benefit schemes	375	465
Total pension scheme liabilities	**375**	465

Statement of Financial Position	2022 £'000	2021 £'000
Fair value of plan assets	2,356	2,220
Present value of funded retirement benefit obligations	(2,731)	(2,685)
Net liability	**375**	465

Statement of Financial Position	2022 £'000	2021 £'000
Fair value of plan assets	2,356	2,220
Present value of funded retirement benefit obligations	(2,731)	(2,685)
Net liability	**375**	465

Principal actuarial assumptions at the financial position date:	2022 % per annum	2021 % per annum
Discount Rate	2.79%	2.15%
Inflation (RPI)	3.62%	3.29%
Inflation (CPI)	3.21%	2.86%
Salary Growth	4.21%	3.86%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions applied at 31 March 2022 imply the following life expectancies:	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.2
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Amounts recognised in the Income Statement	2022 £'000	2021 £'000
Net interest on defined benefit liability	10	5
Expenses paid	4	4
Total expenses	**14**	9

Amounts recognised in Other Comprehensive Income	2022 £'000	2021 £'000
Experience on plan assets	35	251
Experience gains and losses arising on the Plan liabilities	(223)	(57)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (losses)/gain	185	(492)
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	39	(9)
Total amount recognised in Other Comprehensive Income – (losses)/gain	**36**	(307)

Reconciliation of movements on the defined benefit obligation	2022 £'000	2021 £'000
Defined benefit obligation at the start of the period	2,685	2,102
Expenses	4	4
Interest expense	58	50
Actuarial gains/(losses) due to scheme experience	223	57
Actuarial gains/(losses) due to changes in demographic assumptions	(39)	9
Actuarial losses/(gains) due to changes in financial assumptions	(185)	492
Benefits paid	(15)	(29)
Defined benefit obligation at the end of the period	**2,731**	2,685

Reconciliation of movements on the fair value of plan assets	2022 £'000	2021 £'000
Fair value of the Plans' assets at the start of the period	2,220	1,887
Interest income	48	45
Experience gains/(losses) on plan assets	35	251
Contributions by the employer	68	66
Benefits paid	(15)	(29)
Fair value of plan assets at the end of the period	**2,356**	2,220

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £83,000 (2021: £296,000).

The fair values of each main class of assets held by the Fund and the expected rates of return for the ensuing year are set out in the following table.

	2022 £'000	2021 £'000
Global Equity	452	354
Absolute Return	94	123
Distressed Opportunities	84	64
Credit Relative Value	78	70
Alternative Risk Premia	78	84
Fund of Hedge Funds	-	-
Emerging Markets Debt	69	90
Risk Sharing	78	81
Insurance-Linked Securities	55	53
Property	64	46
Infrastructure	168	148
Private Debt	60	53
Opportunistic Liquid Credit	79	56
High Yield	20	66
Opportunistic Credit	8	61
Cash	8	-
Corporate Bond Fund	157	131
Liquid Credit	-	27
Long Lease Property	61	44
Secured Income	88	92
Liability Driven Investment	657	564
Currency Hedging	(9)	-
Net Current Assets	7	13
Total assets	**2,356**	2,220

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.

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 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.

18 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	2022 Sinking Fund £'000	2021 Sinking Fund £'000
At 1 April	161	128
Additions	46	33
At 31 March	**207**	161

19 RECYCLED CAPITAL GRANT FUND

	GLA £'000
At 1 April 2021	513
Inputs to RCGF:	
Recycling of grant	226
New Build	-
Repayment of Grant	(182)
At 31 March 2022	**557**
Amounts 3 years old or older where repayment may be required	120

20 CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,758	-
The Association expects to finance the above expenditure above by:		
Social Housing Grant receivable	-	-
Bank loans & Cash Generation	2,758	-

21 SHARE CAPITAL

Allotted, issued and fully paid	2022 £	2021 £
At 1 April	4	6
Shares cancelled during the year	-	(2)
As at 31 March	**4**	4

The share capital of the Association 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. Where a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the Association.

22 NOTES ON THE CASHFLOW STATEMENT

	2022 £'000	2021 £'000
Surplus for the year	1,474	2,020
Depreciation – Housing Properties	1,764	1,736
Depreciation - Other tangible fixed assets	187	228
Loss on components disposal	47	110
Surplus on sale of tangible fixed assets	(386)	(557)
Amortisation of government grant	(810)	(813)
Change in debtors	(32)	(58)
Change in creditors	(82)	189
Provisions	47	33
Pension provision	-	(62)
Fair value movement	45	60
Change in properties for sale		-
Interest paid	2,066	2,044
Interest received	(10)	(12)
Net cash generated from operating activities	**4,310**	4,918

23 TAXATION

No provision for United Kingdom corporation tax has been made due to the Association's charitable status.

24 UNITS AND BEDSPACES

	2022 Number	2021 Number
Under management at end of year:		
Owned – General needs	1,230	1,233
Owned – Temporary Housing	9	6
Owned – Shared ownership	99	100
	1,338	1,339

25 RELATED PARTY TRANSACTIONS

Disclosures in relation to key management personnel are set out below:	2022 £'000	2021 £'000
Basic salary	415	387
Employers' national insurance	44	39
Pensions contributions	24	22
As at 31 March	**484**	448

26 FINANCIAL INSTRUMENTS

The Association's financial instruments are summaried below:	2022 £'000	2021 £'000
Total financial instruments at fair value	1,334	852

Financial assets measured at fair value are valued based upon quoted market prices.

INQUILAB

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