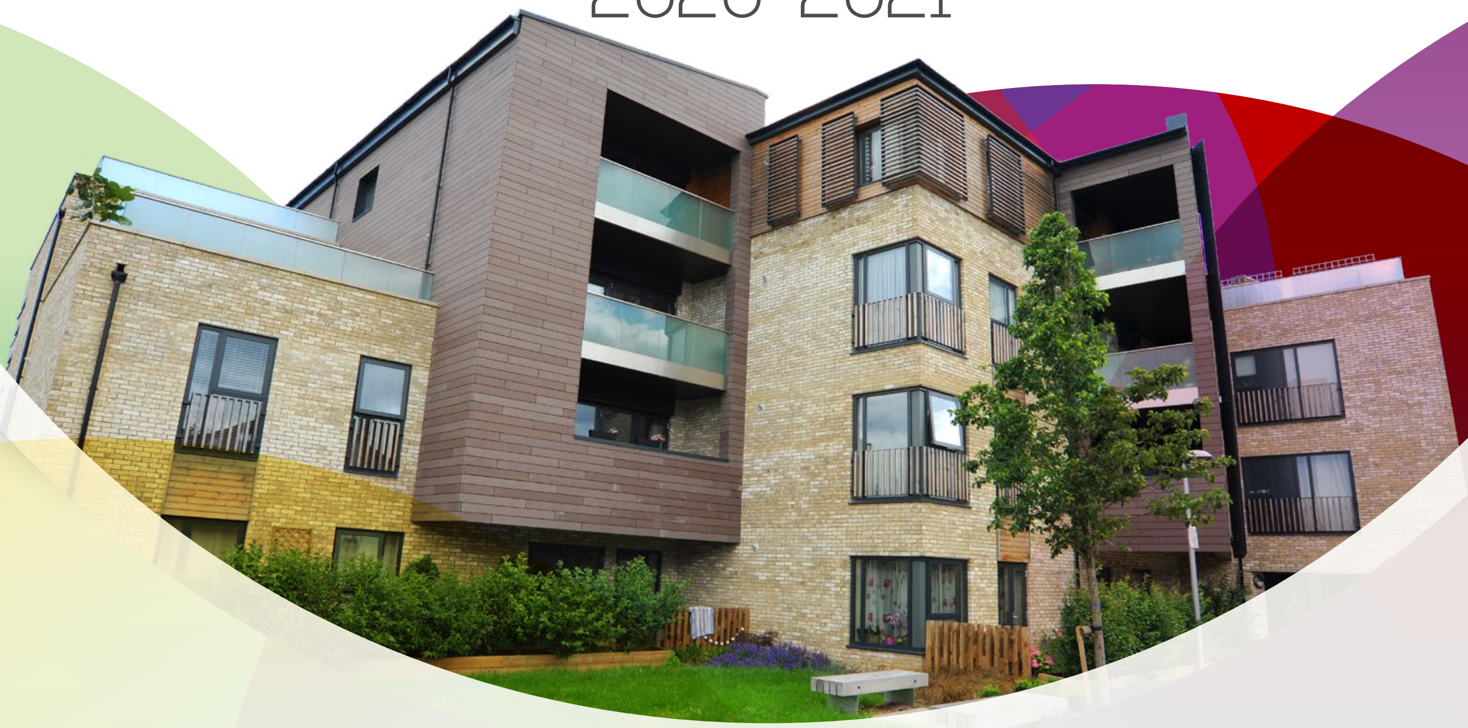
INQUILAB

Annual Review & Financial Statements

2020-2021



Delivering reliable services that our diverse communities value and trust

www.inquilabha.org

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

Registered Social Landlord
No. LH3728

FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

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Executives and Advisors

BOARD OF MANAGEMENT

Pamela Leonce (Chair)
Vivien Knibbs
(Appointed December 2020 & Chair – Audit & Assurance Committee)
Katie Wilmot
(Chair – Customer Committee)
Puneet Rajput (Chair – Remuneration and Nominations Committee)
Gordon Mattocks
John Barr
Peta Caine
Nisha Makwana
Peter Calderbank
(Resigned November 2020)
Gina Amoh (Chief Executive)

SECRETARY AND REGISTERED OFFICE

Gina Amoh
Unit 3
8 Kew Bridge Road
Brentford
London
TW8 0FJ

SENIOR STAFF TEAM

Gina Amoh – Chief Executive
Eric Nelson-Addy
– Director of Finance & Resources
Leona Menville – Director of Customers & Communities (Joined 4 May 2020)

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
25 Moorgate
London
EC2R 6AY

SOLICITORS

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

SOLICITORS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

Chief Executive's / Chair's Statement

Inquilab's Annual Review and Financial Statements for the year to 31 March 2021 describes what, and how, we have been doing over the last year, our financial performance and position.

The last year has been unprecedented and, for many people, an extraordinarily challenging time as the pandemic saw the country go into lockdown and self-isolation, with some of our customers and communities affected by tragic losses, suffering economically, and emotionally. It is also true for our colleagues, most of who adapted from office to homeworking.

Good continuity planning and strong core systems meant we were able to respond quickly and effectively to the Covid-19 pandemic. Before the formal lockdown came into place at the end of March, we had prepared for large-scale working at home and ensured that our systems and people were prepared for, and resilient to, the major change. We were able to decide how we would continue providing essential services in line with rapidly changing Government guidance –and how we would ensure our most vulnerable customers had our support. We made proactive welfare contacts, increased the support we offered where needed, and ensured our people and contractors had the right PPE and adopted safe working practices to keep everyone safe as possible. Although disrupted at times by the restrictions we continued to deliver our services. Throughout, our focus was – and remains – protecting our customers and staff. As we now cautiously emerge and transition back to 'normality', we continue to provide the right approach to our work, which includes supporting some of the most vulnerable people within our communities.

The killing of George Floyd in Minneapolis, USA in May 2020 once again raised public consciousness about racial inequality and injustice. Through our work and working with Leadership 2025 we used our platform to raise awareness of racism within the sector and, insofar as we can, in society as we stand and act together against racism.

In April 2021 we launched a new vision and a three-year corporate strategy. We do this whilst navigating the three strategic investment challenges facing the social housing sector: build more homes, maintain the safety of our homes, and decarbonise in line with the Net Zero commitments. Against the increasingly complex backdrop of the new relationship with the European Union and the emerging post-Covid-19 economy, we continue to focus on delivering much needed homes, services to our residents and communities.

Our commitment to delivering a great service is at the heart of our business, which we will continue to strengthen. Our investment in technology is a strong foundation for our ongoing work to improve customers' experience.

We can achieve all of this because of our people and we extend a special thank you to all our colleagues and the Board for their hard work. Our thanks also go to our partners, contractors, and stakeholders who we look forward to continuing to work with in the year ahead.

Pamela Leonce
Chair

Gina Amoh
Chief Executive

Report of the Board

The Board presents its report and the Association's audited financial statements for the year ended 31 March 2021.

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 they are 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.

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 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 herewith.

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.

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 herewith. 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 Executive 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 Management Team members, as appropriate.

The Audit and Assurance Committee (A&AC)

This Committee has five 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 Assurance Committee and the Board.

Review of the Business

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

Our heritage spans 32 years; established to support people in housing need and to develop homes for under-represented BME communities in West London. Our considered and planned growth sees us own and manage 1,339 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.

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.

All our income is invested in support of our charitable and social value objectives

The financial year to 31 March 2021 was challenging for everyone. Globally, the Covid-19 pandemic swept the world and brought about a new way of working; and coupled with changes to the UK's international trading relationships, created a great deal of economic uncertainty. Climate change has been a key focus politically and, this year, we have started to look at decarbonisation as part of our commitment to sustainability.

Due to our agility and investment in people, systems, and IT, we managed to keep our services fully operational throughout the pandemic, whilst focussing our attentions on supporting our residents at a time when they need us most.

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

We are also proud to be awarded the Diversity Champion mark in recognition of our open, inclusive, and transparent way of working, where we promote diversity and inclusion in all that we do; and where our people are encouraged to grow, to challenge, and to support each other so that, together, we can drive a culture of continuous improvement and professional development.

Highlights for 2020-21 included:

- Delivery of our Transformation Project to better improve our contract management with Gilmartins.
- Strengthening our team with new senior appointments in Governance, Customer Services, and Communications.
- 100% resolution on ASB cases.
- Delivery of an action plan resulting in the upgrade to G1 rating in May 2021.
- Continued to embed a health and safety culture.
- Implemented a new compliance system.
- Added 21 new homes to our portfolio including the acquisition of 19 units from another Registered Provider in March 2021.
- Business as usual delivery of services despite the challenges of the pandemic and remote working whilst supporting our customers and staff.
- Initiation and delivery of our reach-out programme to our most vulnerable residents.

The safety and quality of our homes remains a key priority

The year also saw out our five-year Corporate Strategy (2016 – 2021) which set out our key objectives and growth strategy up to March 2021. We are proud to have achieved our strategic goals, and, as we move into a new era one of our continuing priorities is to invest in homes and in the communities we serve.

As we make progress with our growth strategy, we are aware of the degree of risk that we are prepared to accept and are continuously working towards balancing long-term stability with our growth commitment.

We measure our performance against set financial standards, which help ensure our organisation is financially secure and robust. Maintaining our V1 financial viability rating will help us to optimise the use of our balance sheet to secure new funding to support our Corporate Plan priority to build new homes and invest in current ones.

We have made good progress on many of our Corporate Strategy initiatives, and while we have delivered what we said we would, there is more to do to get where we want to be.

During the year ending 31 March 2021, we reviewed our approach to data and launched a new data strategy. A key stream of this is ensuring we have a robust approach to information governance, have thoroughly reviewed our information governance framework, appointed a new Data Protection Officer, and implemented a schedule of data protection audits to make sure we continue to comply with the UK GDPR. Work is continuing on standardisation of services and contract management which should result in improved efficiency in these areas.

A new vision for a new Corporate Strategy

As we look forward to the next three years, we have a new Corporate Strategy which builds on the progress we have made over the last five years. It sets out our ambitions, strategic objectives, and a new vision for our organisation. This is underpinned by our values which help to guide our people and to inform the right behaviours and decision-making in which we actively encourage residents' participation, views, and ideas.

Our Mission	Our Vision	Our Values
To meet housing need and support sustainable communities	**Delivering reliable services that our diverse communities value and trust**	**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

Whilst developing our new Corporate Strategy we have considered the effects of the pandemic, and of the economic, environmental, and socio-economic issues that affect us. We will use our learnings over the last year, together with our skills and expertise, to deliver more quality homes and personalised outcome-focused services. We will build on our agility and our investment in technology and insights to deliver value-for-money, to improve efficiency and effectiveness, and to make best use of our resources.

The safety and quality of our homes remains a key priority. We will implement the recommendations made in the Hackitt Review, the 2020 White Paper, and any further changes and learnings from the Grenfell Tower Inquiry. We will also implement government policy to reduce carbon emissions to zero by 2050.

Our new strategic objectives

Focusing on Customers, Community and Diversity, the following objectives are aligned to investing in our homes and services, growing our business, and supporting our diverse communities. These growth ambitions are supported by our robust financial management, and our drive to recruit, retain, and develop the best people to deliver them:

Deliver Quality Homes and Services

A culture of values and behaviours that put the customer at the heart of our work, ensuring our homes are safe and well maintained.

Achieve Sustainable Growth

Provide a range of affordable, safe, quality homes.

A High Performing Business

Financial robustness and effective, well trained and highly motivated people.

Empower our Communities

Working and investing in our communities.

Covid-19 response

The collection of data and information (in accordance with the GDPR) enabled us to identify and support our most vulnerable residents and 'at risk' households throughout the pandemic. This included residents who were self-isolating or in quarantine. The information is provided to contractors and others who visit our properties in the event of an emergency. We continue to liaise with GP practices, social care agencies, charities, residents' groups, and the police, to build up an improved response plan. We actively update our profiling information in order to provide the customer support needed.

Financial overview

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. The prime objective is to maintain our financial health and viability, enabling us to invest in quality homes and services.

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.

Turnover for the financial year was £10.19m (2020: £12.15m) generating an operating surplus of £4.11m (2020 Restated: £3.76m). This decrease in turnover is attributable to there being no first tranche sales in the financial year compared to the previous year. Our operating surplus margin (excluding surplus on disposal of assets) improved to 34.90% from 30.15%. The improvement in the operating surplus ratio was mainly driven by the reduction in overheads during the period. Our core business of social housing lettings operating margin declined to 37.30% (Restated 2020: 37.42%) with the decrease mainly attributable to increased expenditure on planned maintenance and investment in safety works.

The change between the years principally arose for the following reasons.

- Turnover for the year to March 2021 included proceeds from first tranche shared ownership sales. There were no first tranche sales in the current year.
- The surplus from staircasing sales was higher due to more leaseholders increasing their equity stake in their homes.
- Operating costs were higher due to increased bad debts write-off and major repairs expenditure.
- Financing costs decreased to £2.04m from £2.12m as a direct result of the changes in borrowing rates.
- The main other contributory factor to the decreased surplus for the year figure was an actuarial loss of £0.307m due to an increase in pension liabilities.

The Association continues to maintain a strong financial position. Total assets less current liabilities declined marginally following a re-alignment of depreciation charges associated with properties held by the Association on leasehold terms. We re-aligned our policy to co-terminate with the leases with a resultant zero net book value being attained at the end of the leases. This resulted in an additional property depreciation charge of £0.065m during the year to 31 March 2021 and a prior year adjustment of £1.29m.

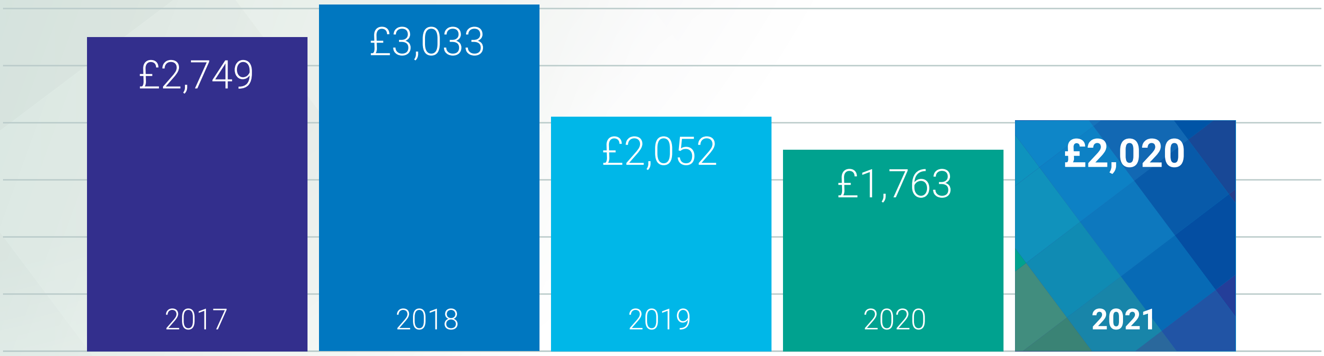
Summary Statement of Comprehensive Income (£000)	2021	(Restated) 2020	2019	2018	2017
Turnover	**£10,186**	£12,152	£9,549	£9,533	£9,797
Operating costs and cost of sales	**(£6,632)**	(£8,488)	(£5,942)	(£5,366)	(£5,532)
Operating surplus (excluding surplus on disposal of assets)	**£3,554**	£3,664	£3,607	£4,167	£4,265
Net interest charge and other finance costs	**(£2,032)**	(£2,087)	(£1,861)	(£1,839)	(£1,943)
Surplus on disposal of assets	**£557**	£96	£280	£697	£375
Movement in fair value of investment	**(£60)**	£90	£26	£8	£52
Other comprehensive Income	**(£307)**	£347	(£298)	£0	£0
Surplus for the year	**£1,713**	£2,110	£1,754	£3,033	£2,749
Operating surplus margin (excluding surplus on disposal of assets)	**34.9%**	30.2%	37.8%	43.7%	43.5%

Summary Statement of Financial Position (£000)	2021	(Restated) 2020	2019	2018	2017
Housing properties at cost less depreciation	**155,246**	153,468	151,891	152,282	143,803
Other tangible fixed assets and investments	**2,513**	2,621	2,678	2,653	2,289
Net current assets	**2,831**	4,823	2,157	126	10,548
Total assets less current liabilities	**160,590**	160,912	156,726	155,061	156,640
Loans due after one year	**56,130**	57,345	55,384	55,447	58,474
Unamortised grant liability	**66,900**	67,887	68,274	68,556	68,893
Other long-term liabilities	**3,541**	3,733	1,944	1,835	2,936
Total reserve	**34,019**	31,947	31,124	29,223	26,337
Total	**160,590**	160,912	156,726	155,061	156,640

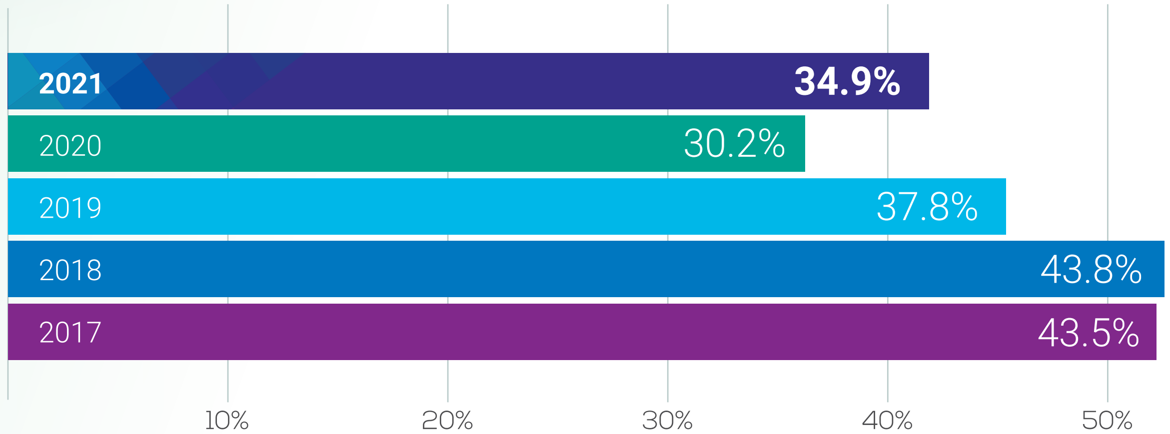
We regularly stress test our financial plans to ensure we are resilient to changes in economic assumptions in relation to internal and external factors.

Key features of the results were:

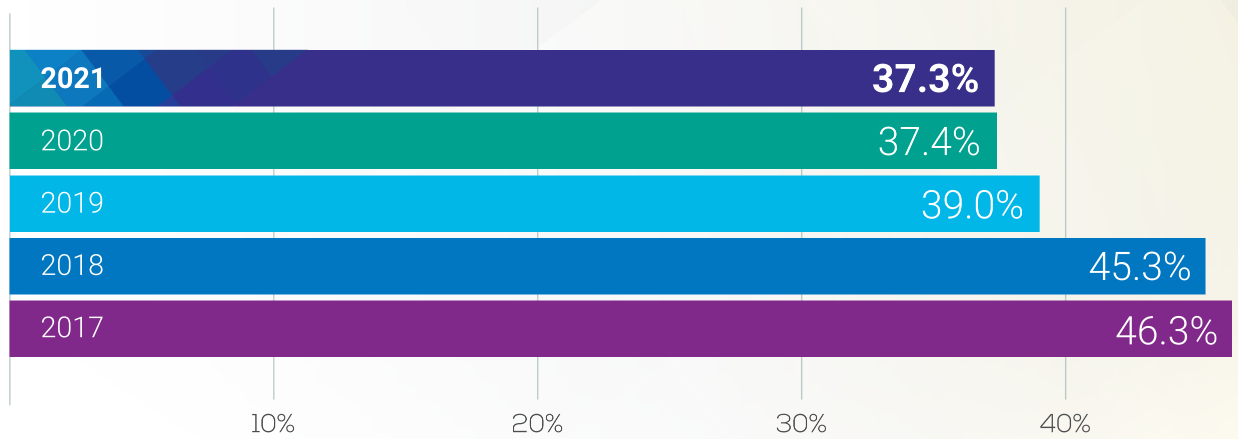
Surplus for the year of £2.020million (Restated 2020: £1.763million)



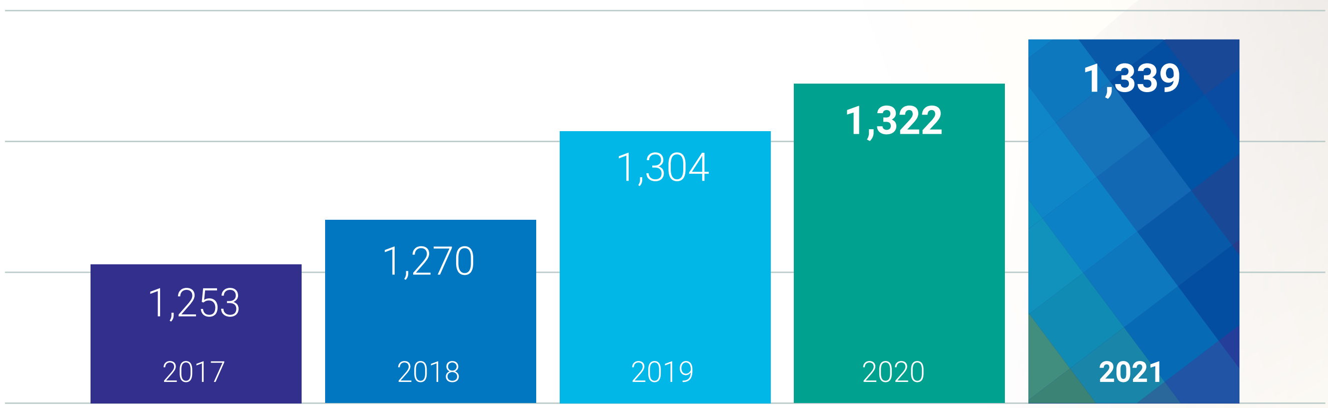
An overall operating margin (excluding surplus on disposal assets) of 34.9% (Restated 2020: 30.2%)



Operating margin (social housing lettings) of 37.3% (Restated 2020: 37.4%)



Number of homes owned 1,339 (2020: 1,322)



How we ensure we deliver Value for Money

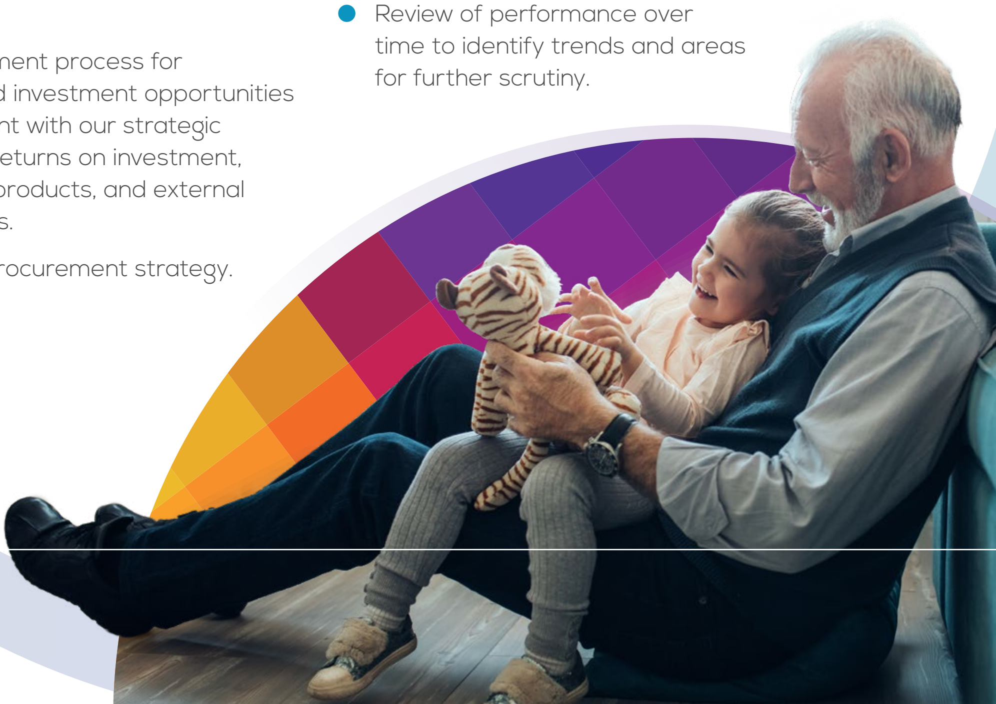
We are committed to delivering and demonstrating Value for Money (VfM) in everything that we do for our customers and the communities we serve. This commitment is led by the Board, shared across the whole organisation, and embedded in our Corporate Strategy.

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.

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 Corporate Plan which will contribute to improving value for money.
- The measurement and regular reporting of performance against Key Performance Indicators which focus 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 Management 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

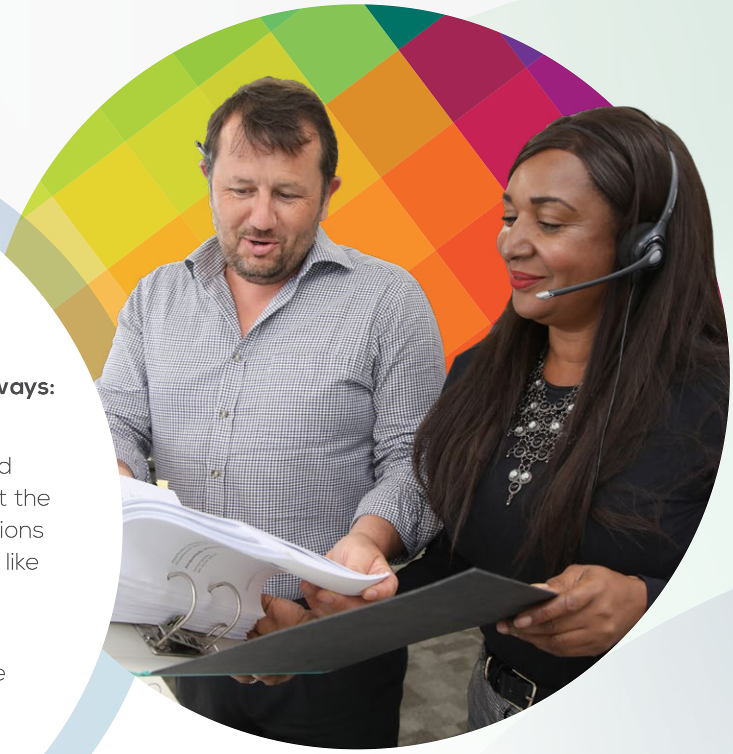
The VfM Standard issued by the Regulator of Social Housing came into effect in April 2018. The Standard requires Inquilab, as a registered social housing provider, to publish performance against the seven metrics defined by the Regulator in the new Standard, our own metrics and targets, and to provide 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 large providers who, like Inquilab, work across the country; and
- Using the Global Accounts, where the performance of the whole sector against the 7 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 2020. Available benchmarks are for the 2020 financial year and do 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 2021 performance with 2020 performance benchmarks.

Summary	Measure	Our Targets 2021	Actual 2021	(Restated) Actual 2020	Peer Median 2020	Peer Top Quartile 2020
Business health	• Operating Margin (overall excluding fixed asset disposals)	28.48%	**34.90%**	30.15%	22.95%	26.05%
	• Operating Margin (social housing lettings excluding disposal of fixed assets)	29.39%	**37.30%**	37.42%	24.70%	28.45%
	• EBIT DA MRI (as a percentage of interest)	136.89%	**187.67%**	206.52%	138.25%	191.75%
Development – capacity and supply	• New supply – social (number of units)	25	**21**	19	55	190
	• New supply social as a % of total units owned	1.86%	**1.57%**	1.44%	1.14%	1.80%
	• New supply delivered % (non-Social Housing)	n/a	**n/a**	n/a	n/a	n/a
	• Gearing	33.31%	**33.46%**	33.28%	40.28%	30.52%
	• Resident satisfaction	70%	**46%**	61%	70%	73%
Outcomes delivered	• Reinvestment	5.00%	**2.64%**	2.17%	2.90%	5.83%
	• Return on capital employed (ROCE)	1.76%	**2.56%**	2.38%	2.43%	2.82%
Effective asset management	• Voids	1.00%	**1.02%**	0.54%	n/a	n/a
	• Ratio of responsive repairs to planned maintenance	0.48	**0.66**	0.79	0.61	0.55
	• Headline Social Housing Cost Per Unit (SHCPU)	£4,877	**£4,259**	£3,830	£4,882	£4,442
Operating efficiencies	• Rent collected	100.00%	**98.94%**	99.04%	99.28%	100.21%
	• Occupancy	99.63%	**98.95%**	99.62%	99.28%	99.68%
	• Overheads as a percentage of adjusted turnover	16.55%	**15.26%**	13.41%	12.68%	10.64%

When compared with our peer group, the above indicates that we perform better than our peers in most metrics. However, Customer Satisfaction and new developments are key areas where our performance is lower.

Operating margin % (overall): measures the profitability of the organisational operating assets. Our ratio of 34.90% was an improvement on the previous year's ratio of 30.15%. This was mainly driven by the reduction in overheads during the period.

Operating margin % Social Housing (SH): measures the profitability of the social housing operating assets. Whilst our operating margin performance has fallen year-on-year, this is consistent with a trend seen across the housing sector following four years of rent reductions up to 2020. Our ratio of 37.30% was a decline on the previous year's ratio of 37.42%. Whilst our core revenue stream remains strong, the decline was mainly a result of 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 payable. The level of interest cover once major repair spend is included in the calculation has been on a downward trajectory as the level of investment required by our existing homes has increased significantly over recent years. Interest costs have risen gradually as we have acquired schemes. The ratio for the year was 188% compared to the prior year's ratio of 207%.

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.

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. The acquisition of twenty-one (21) homes meant our stock numbers increased by 1.57%. Again, this compares more favourably against the peer group median of 1.44%.

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 primarily 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 increased to 33.46% from 33.28% following the drawdown of an additional £2m in loan financing during the year.

Resident satisfaction: improving customer satisfaction continues to be a key strategic priority. Customer satisfaction has started to increase following our transformation programme. We expect to deliver customer service benefits from the recent upgrade to our CRM system and the integration of systems with our main maintenance contractor. Repair satisfaction heavily impacts overall customer satisfaction. Improvements from the currently concluded Inquilab Way Transformation programme should further contribute to increased satisfaction rates.

Our strategy for improving customer satisfaction is centred around anticipating, identifying, and meeting customer need. We have begun this work by undertaking in depth segmentation research to help us understand who our customers are, what they expect from us, and to provide a road map for delivering against their priorities. Our approach will be to offer individualised services based on the level of engagement and support our customers need to access our services and maintain their tenancies.

We are also embedding a culture of curiosity and continuous improvements which has begun by reviewing the customers end-to-end journey. By asking pertinent questions and reviewing our technological offer we are re-shaping our services to meet the expectations of our users.

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. In addition, we are looking at embracing and improving our social media and omni channel presence. This will improve the number of options available to customers to get in touch with us.

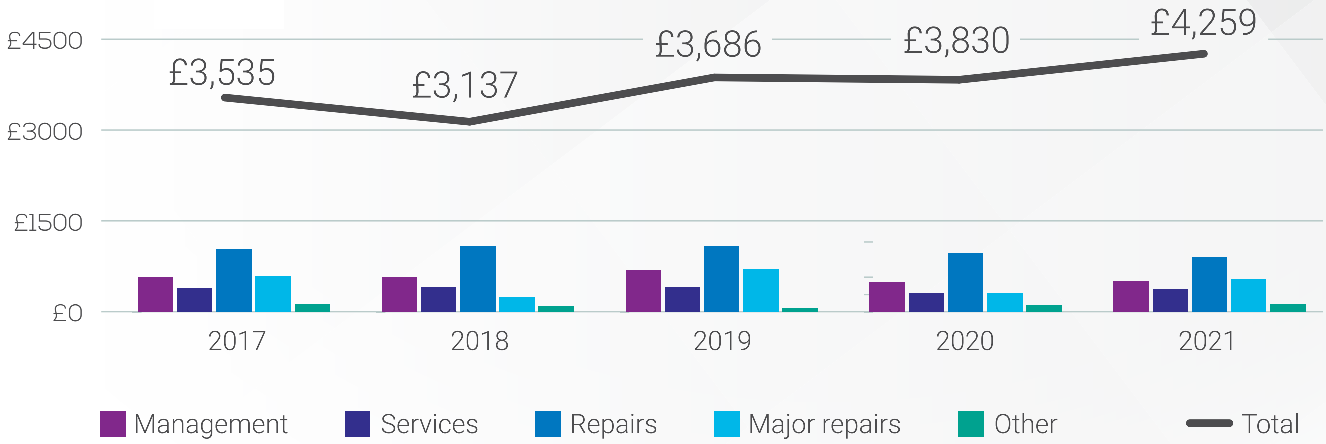
We are running focus groups for people who score us low on our surveys and asking them to help us understand what went wrong with their experience and how it could have been better for them. We are then using this information to feed into our service delivery model. We are setting stretching targets and performance indicators and communicating these with 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. In the year ended March 2021, we completed the acquisition of twenty-one (21) homes and re-invested £1.24m in replacing components within existing properties. Our goal for the coming years is to build /acquire additional new homes through our partnership arrangements. Our outcome of 2.64%, although an improvement on last year's figure, compares less favourably against the peer group median, primarily as a result of the high value schemes in our key areas of operation.

Return on Capital Employed (ROCE): measures the efficient investment of capital resources. The metric compares the operating surplus to total assets, less current liabilities. ROCE for the year March 2021 was 2.56% (March 2020: 2.38%). The improvement in the ratio was largely due to an increase in profitability in the total assets position following our recent acquisition of units from other RPs. The peer group's median score for 2020 was 2.43%.

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 £4,259 from £3,830 mainly as result of increased spend on our major works programme. The 2020 Peer Association figure was £4,882.

Our cost per unit breakdown in £



Peer Association – Cost per unit comparison

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. 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.

The table above shows our performance over the last five years. Our social housing cost per unit at £4,259 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.

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 Scrutiny Panel (RSP). 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.

In relation to VfM, staff report back on our performance against a range of resident and service improvement activities such as estate management plans, service improvement plans, and local offers.

Compliance

Regulation

We are pleased to report that in 2020-21 we achieved the top G1 governance rating from the RSH 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 2021 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 Assurance Committee reviewed the detailed evidence of our compliance with the Economic Standards. These reviews were reported to the Board who satisfied themselves with Inquilab's continued compliance with regulation, including with the Governance and Viability Standard and all relevant law.

Code of governance

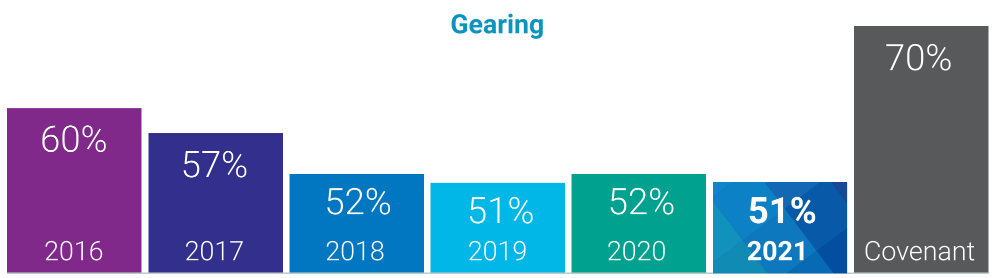
We have adopted the NHF Code of Governance 2015 and, following a detailed assessment against the provisions of the Code, the Board has confirmed full compliance with the Code. The Board has considered the relevance of its adopted Code of Governance and has resolved to adopt the new NHF Code of Governance 2020 from April 2021.

Compliance with reporting standards and legislation

The Board further confirms 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.



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 Assurance Committee (AAC).

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

Risk	Mitigations
Regulation and external environment **Appropriately responding to changes in government policy or the external/ economic environment and meeting all regulatory and legal requirements**	Regular engagement with NHF and CIH and training sessions/ conferences are attended by Board members and employees to keep up to date with latest sector trends and changes. These sessions are then fed back to the rest of the team Audit and Assurance Committee examines emerging risks (including regulatory changes) at each meeting Board risk reports focus on changes in the external environment and how these impact upon key strategic risks Compliance reports are reviewed by the Board quarterly Impact reports (including stress testing) on emerging risks are reviewed by the Audit and Assurance and the Board CEO Horizon Scanning reports made available to the Board on a regular basis.
Income management **The impact of welfare reform on our cashflow is greater than that assumed in our Financial Plan**	Customer segmentation reports used to identify tenants at risk Income Management improvement plan in place and monitored by management and Customer Committee Business plan approved by the Board includes increased provision for bad debts. Business plans stress tested for increasing bad debts.
Counter party **Key counter parties unable to deliver on their commitments**	We regularly review the performance and business resilience of key counter parties to identify early warning signs Contingency plans for counter parties are in place Financial limits used where possible to limit exposure Credit checks and references undertaken when awarding new contracts Contractor on-boarding process has been reviewed and changes are due to be implemented.
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**	Compliance monitored by the Safety and Compliance Officer, EMT and Health and Safety Group and Audit and Assurance Committee Fire Risks assessment undertaken in accordance with requirements and reviewed for assurance by an additional contractor Gas Safe contractor performs gas servicing/inspections on a 10-month rolling programme and certificates are reviewed by external consultant Asbestos surveys undertaken by qualified assessors of all communal properties NICEIC qualified contractors carrying out electrical inspections and C1 and C2 works at the time of inspection Legionella inspections undertaken along with works to minimise any risks identified.

Risk	Mitigations
Services and customer experience **Not providing quality services that lead to an improvement in resident satisfaction**	Early resolution process for customers dissatisfied with repairs/estate services in place Service standards in place and agreed with customers Regular monitoring of customer satisfaction Resident involvement/engagement – e.g. focus groups and RSP in place Resident representation in governance (e.g., Customer Committee and Board).
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)**	Asset Management Strategy in place and reviewed annually by the Executive Management Team (and the Board every three years) in line with corporate objectives and changes to regulation We are currently working with Savills to determine resources required achieve net zero carbon Fully funded 30-year expenditure profile is incorporated into business plan 35% stock condition surveyed externally within last three years Programme in place for 20% stock to be inspected annually.
Data governance and information management **Insecure processing of personal and corporate data, inaccurate data, not meeting high standards of data integrity**	Head of Governance is GDPR practitioner qualified, acts as the DPO and undertakes a programme of data protection audits and risk assessments Use of external specialist consultancy advice regarding organisational and technical data security measures E-learning programme in place for all employees to ensure good organisational practices in data processing and security Technical measures (e.g. firewall & cyber security) in place to protect personal and corporate data from being unintended breaches and malicious attacks GDPR KPIs monitored by management and reported to Board by exception Data submissions prepared, checked, and signed off by different employees.

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.

We have continued to operate effectively despite the ongoing challenges presented by the pandemic and Covid-19 restrictions have not had a material impact on our financial position. We do not, therefore, anticipate any adverse impact to the business from Covid-19 in the future.

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 £4.92 million (2020: £7.14 million). We had cash reserves of £7.57 million at 31 March 2021 (2020: £9.16 million).

Capital structure

Our assets are financed by a combination of:

- Social housing grants of £68 million (42%),
- Private finance (loans) of £59 million (37%), and
- Internally generated funds of £33 million (21%)

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 2021 was £114.08 (March 2020: £111.21).

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 & Assurance Committee (AAC) 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 AAC 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 Management 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 AAC meetings.
- Adoption of an internal audit programme monitored by the AAC.
- Board review of the external audit management letter, and AAC 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 AAC 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 AAC and the Board.

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

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 AAC and the Board.

Donations

We made no political donations during the year (2020: £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

Our new three-year Corporate Plan builds on the progress we have made over the last five years and responds to the ever-changing environment we operate in.

Whilst developing our new plan we considered the impact that the Covid-19 pandemic has had on our communities, our people, and our services; and what we can learn from the challenges and opportunities it presents.

The operating environment has changed as the world around us adapts to new ways of working; and it will continue to change as we respond to the effects of the pandemic, and to the economic, environmental and socio-economic issues that affect us – including Black Lives Matter, climate change, the impact of Brexit, and change in legislation and Government policy.

Our new Corporate Strategy is based on three key themes: 'Customers, Community and Diversity'. Inquilab is committed to extending its reach, to be responsive to residents and communities, to continue to support diversity in services and advocating for equality, inclusion and belonging.

The safety and quality of our homes remains a key priority. We will implement the recommendations made in the Hackitt Review, the 2020 White Paper, and any further changes and learnings from the Grenfell Tower Inquiry. We will also implement government policy to reduce carbon emissions to zero by 2050.

Our vision over the next three years is 'Delivering reliable services that our diverse communities' value and trust'.

To achieve this vision, we will deliver excellent services, efficiently, and which are sensitive to the needs of our diverse communities. **Our vision is supported by a long-term financial plan, alongside our strategic and corporate objectives that set out what we need to do including investing in developing new homes to support housing needs.**

Focusing on Customers, Community and Diversity, our priorities are investing in our homes and services, growing our business and supporting our diverse communities. Our growth ambitions are supported by our robust financial management, and our drive to recruit, retain and develop the best people.

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.

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 2021 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 2021 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 financial statements, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the 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 5, 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 & Williamson

Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Date: 20 August 2021

Statement of Comprehensive Income Year Ended 31 March 2021

	Note	2021 £'000	As restated 2020 £'000
Turnover	2	10,186	12,152
Cost of Sales	2	-	(2,210)
Operating expenditure	2	(6,631)	(6,278)
Gain on disposal of housing properties	2/5	557	96
Operating surplus	**2**	**4,112**	**3,760**
Interest receivable	6	12	31
Interest payable and financing costs	7	(2,044)	(2,118)
Movement in fair value of investment	11	(60)	90
Surplus for the financial year		**2,020**	**1,763**
Other comprehensive income			
Actuarial (loss)/gain for the year on defined benefit pension obligation	17	(307)	347
Total comprehensive income for the financial year		**1,713**	**2,110**

All amounts relate to continuing activities.

Statement of Financial Position
Year Ended 31 March 2021

	Note	2021 £'000	As restated 2020 £'000
Fixed assets			
Housing properties	9	155,246	153,468
Other property, plant & equipment	10	2,513	2,621
		157,759	**156,089**
Current assets			
Investments	11	852	905
Trade and other debtors	12	475	417
Cash & cash equivalent		7,567	9,155
		8,894	10,477
Creditors amounts falling due within one year	13	(6,063)	(5,654)
Net current assets		**2,831**	**4,823**
Total assets less current liabilities		**160,590**	**160,912**
Creditors: amounts falling due after more than one year	14	(126,304)	(128,622)
Provisions for liabilities			
Pension provision	17	(465)	(215)
Other provisions	18	(161)	(128)
Total net assets		**33,660**	**31,947**
Reserves			
Revenue reserve		33,660	31,947
Total reserves		**33,660**	**31,947**

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

Pamela Leonce
Chairperson
Date of approval: 28 July 2021

Vivien Knibbs
Vivien Knibbs
Chair – Audit & Assurance Committee

Gina Amoh
Secretary

Statement of Cash Flow
Year ended 31 March 2021

	2021 £'000	As restated 2020 £'000
Net cash generated from operating activities (see Note 21)	**4,918**	7,136
Cash flow from investing activities		
Addition to other fixed assets	**(119)**	(162)
Addition to PPE	**(4,071)**	(3,393)
Proceeds on disposal PPE	**1,061**	218
Grants	**-**	449
Interest received	**6**	26
	(3,123)	(2,862)
Cash flow from financing activities		
New Loans	**2,000**	5,000
Interest paid	**(3,124)**	(2,206)
Loans repaid	**(2,181)**	(3,253)
Issue Premium received	**-**	2,283
Grants repaid	**(78)**	-
	(3,383)	(1,824)
Net change in cash and cash equivalents	**(1,588)**	6,098
Cash and cash equivalents at beginning of the year	**9,155**	3,057
Cash and cash equivalents at end of the year	**7,567**	9,155

Analysis of debt	Cash flow £'000	Non cash £'000	31 March 2021 £'000	1 April 2020 £'000
Cash at bank and in hand	(1,588)	-	7,567	9,155
Current asset investments	-	(53)	852	905
Loans				
Short-term loans	(111)	-	(3,001)	(2,890)
Long-term loans	1,235	-	(56,506)	(57,741)
Net Debt	**(464)**	**(53)**	**(51,088)**	**(50,571)**

Statement of changes in Equity and Reserves Year ended 31 March 2021

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

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2019	-	**31,124**	**31,124**
Total comprehensive income for the year	-	2,110	2,110
Prior year adjustment	-	(1,287)	(1,287)
Balance at 31 March 2020 (as restated)	-	**31,947**	**31,947**

Notes on the Financial Statement

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 5.

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.

We have continued to operate effectively despite the ongoing challenges presented by the pandemic and Covid-19 restrictions have not had a material impact on our financial position. We do not, therefore, anticipate any adverse impact to the business from Covid-19 in the future.

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.

Housing property impairments

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The Association has a history of acquiring or selling properties from or to other registered providers and the Board. The accumulated impairment provision at 31 March 2021 was £nil (2020: £nil)

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 £475k (2020: £482k) and the provision for bad debt amount of £319k (2020: £272k) 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 2021, a liability of £465k (2020: £215k) 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 2021 was £24.3 million (Restated 2020: £22.9 million).

Percentage of shared ownership properties to be sold under first tranche sales

An estimate is required in determining the percentage of shared ownership properties to be sold under first tranche sales and hence the amount to be recognised as stock rather than housing properties. Management base their estimate on a number of factors, including experience, reservations and minimum percentage policies. The stock balance as at 31 March 2021 was £0m (2020: £0m).

Impairment of work in progress and properties held for sale

In assessing whether work in progress and properties held for sale are impaired management make an assessment of the expected net realisable value of the units. This assessment is based upon the anticipated sale price less costs to complete and sell. No impairment has been recognised.

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 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 an operating cost. The resultant surplus or deficit on first tranche sales is recognised within the income statement.

Revenue grants are accounted for once the Association is legally entitled to the grant. Revenue grants are recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

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. Sales of housing properties under the Right to Acquire (RTA) are credited to the Disposal Proceeds 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 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.

Properties acquired from another registered provider as a result of stock swaps are recorded at their fair value.

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 exception to the above is where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus. In these circumstances any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

The overall surplus is the difference between the net present value of cash flows and the cost. The net present value of the cash flows is the sum of the first tranche proceeds, net rental streams and expected receipts from subsequent disposals of the asset, less any grant repayable.

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 it is shorter than. 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.

Government grants relating to revenue are recognised in the Statement of Comprehensive Income under the performance model of accounting. They are release to income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the Association will comply with the conditions and that the funds will be received.

1.17 Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability in the Statement of Financial Position.

1.18 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.

1.19 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.

1.20 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.

1.21 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

	2021			2020 (As restated)			
	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 2b)	10,139	(6,357)	3,782	9,663	-	(6,047)	3,616
Other social housing activities							
First tranche shared ownership sales	-	-	-	2,428	(2,210)	-	218
Gain on disposal of housing properties	-	-	557	-	-	-	96
Other	47	(274)	(227)	61	-	(231)	(170)
Total	10,186	(6,631)	4,112	12,152	(2,210)	(6,278)	3,760

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

	Housing Accommodation £'000	Shared Ownership £'000	Total 2021 £'000	As restated Total 2020 £'000
Income				
Rents receivable net of identifiable service charges	8,055	445	8,500	8,080
Service charges receivable	615	186	801	739
Water Rates Receivable	25	-	25	24
Amortised government grants	774	39	813	820
Turnover from social housing lettings	9,469	670	10,139	9,663
Operating expenditure				
Service charge costs	664	215	879	733
Management	1,185	10	1,195	1,136
Routine maintenance	1,346	-	1,346	1,329
Major repairs	255	-	255	151
Bad debts	71	-	71	-
Planned Maintenance	734	-	735	907
Depreciation of housing properties	1,736	-	1,736	1,730
Loss on disposals and component replacements	108	-	108	40
Water rates	33	-	33	21
Operating expenditure on social housing lettings	6,132	225	6,357	6,047
Operating surplus on social housing lettings	3,337	445	3,782	3,616
Rent losses from voids	89	-	89	45

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.

	2021 £'000	2020 £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	**332**	331
Pensions Contribution	**22**	20
Emoluments paid to the highest paid director of the Association excluding pension contributions	**121**	108
Pensions contributions in respect of the highest paid director	**9**	8

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	2021 Total	2020 Total
	£'000	£'000
Pamela Leonce	**8.0**	8.0
Vivien Knibbs (Appointed October 2020)	**1.2**	-
Nisha Makwana	**2.0**	2.0
Puneet Rajput	**3.0**	3.0
Gordon Mattocks	**2.0**	2.4
Peter Calderbank (Resigned October 2020)	**2.3**	3.5
John Barr (Appointed June 2019)	**2.0**	1.7
Nigel Newman (Resigned October 2019)	**-**	1.2
Katie Wilmot (Appointed June 2019)	**2.5**	2.0
Peta Caine (Appointed June 2019)	**2.0**	1.7
	25.0	25.5

4 EMPLOYEE INFORMATION

	2021 Number	2020 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):	**21**	20
Staff costs during the year:	**£'000**	£'000
Wages and salaries	**1,061**	912
Social security costs	**120**	101
Pension costs	**70**	58
	1,251	1,071

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	2021 Number	2020 Number
£60,000 - £70,000	**4**	4
£70,001 - £80,000	**-**	2
£80,001 - £90,000	**1**	-
£90,001 - £100,000	**-**	1
£100,001 - £110,000	**1**	1
£110,001 - £120,000	**1**	-
Total	**7**	8

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2021 £'000	2020 £'000
Disposal proceeds	**1,061**	219
Carrying value of fixed assets	**(471)**	(121)
Grant amortised	**(28)**	(1)
Selling cost	**(5)**	(1)
	557	96

6 INTEREST RECEIVABLE

	2021 £'000	2020 £'000
Bank interest	6	26
Investment income	6	5
	12	31

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £'000	2020 £'000
SHPS pension – interest expense	5	13
Loans and bank overdrafts	2,085	2,150
Cost of raising finance	(46)	(45)
	2,044	2,118
Interest payable capitalised on housing properties under construction	-	-
	2,044	2,118
Capitalisation rate used to determine the finance costs capitalised during the period	-	-

8 SURPLUS FOR THE YEAR

	2021 £'000	As restated 2020 £'000
Is stated after charging:		
Auditor's remuneration (excluding VAT):		
- in their capacity as auditor	32	27
- other services	6	6
Depreciation	1,964	1,950

9 HOUSING FIXED ASSETS

	Housing properties held for letting £'000	Completed Shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total £'000
Cost				
At 1 April 2020	157,029	19,349	-	176,378
Transfer	(135)	135	-	-
Properties acquired	3,108	-	-	3,108
Component additions	987	-	-	987
Disposals	(581)	(384)	-	(965)
At 31 March 2021	**160,408**	**19,100**	**-**	**179,508**
Depreciation and impairment				
At 1 April 2020	21,558	-	-	21,558
Prior Year adjustment	1,352	-	-	1,352
At 1 April 2020 (Restated)	22,910	-	-	22,910
Charged for year	1,736	-	-	1,736
Disposals	(384)	-	-	(384)
At 31 March 2021	**24,262**	**-**	**-**	**24,262**
Net book value				
At 31 March 2021	**136,146**	**19,100**	**-**	**155,246**
At 31 March 2020 (Restated)	133,954	19,484	-	153,438

During the year we acquired a block of 19 units from another RP at a cost of £2.23 million (2020: £2.77). The grant liability of £0.192 million transferred to the Association at completion of the acquisition.

The cost incurred on improvement works to existing properties during the year is analysed as follows:	**2021** £'000	**2020** £'000
Amounts capitalised (all relating to components)	**987**	555
Amounts charged to the income and expenditure account	**255**	151

Carrying amount of secured and unsecured properties	**2021** £'000	**2020** £'000
Secured properties	**81,887**	84,278
Unsecured properties	**54,259**	49,676
	136,146	133,954

10 OTHER TANGIBLE FIXED ASSETS

	Long Leased Office Premises £'000	Office Furniture And Equipment £'000	Total £'000
Cost			
At 1 April 2020	2,346	1,057	3,403
Additions	-	119	119
Disposals	-	(1)	(1)
At 31 March 2021	**2,346**	**1,175**	**3,521**
Depreciation			
At 1 April 2020	70	711	780
Charge for year	24	204	228
Disposals	-	(1)	(1)
At 31 March 2021	94	914	1,008
Net book value			
At 31 March 2021	**2,252**	**261**	**2,513**
At 31 March 2020	**2,275**	**346**	**2,621**

11 INVESTMENTS

The Association deposited £520k which is held in trust on behalf of The Housing Finance Corporation as part of the loan agreement. As at March 2021 the balance including accrued interest was £852k (2020: £905k). Fair value movement of the investment recognised in the Statement of Comprehensive Income is £60k: (2020: (£90k)).

12 TRADE AND OTHER DEBTORS

	2021 £'000	2020 £'000
Amounts receivable within one year:		
Rent arrears	442	482
Housing benefits in arrears	263	103
Less: provision for bad debts	(319)	(272)
	386	313
Prepayments and accrued income	89	80
Other debtors	-	24
	475	417

13 CREDITORS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade creditors	276	163
Taxation and social security payable	37	36
Loan repayments (note 16)	3,001	2,890
Loan interest	98	116
Other creditors and accruals	1,057	978
Recycled Capital Grant Fund (note 19)	182	72
Rent in advance	462	442
Issue premium (30-year bond)	137	137
Deferred grant income (note 15)	813	820
	6,063	5,654

14 CREDITORS

	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Deferred grant income (note 15)	66,900	67,887
Issue Premium (30-year bond)	2,943	3,080
Recycled Capital Grant Fund (note 19)	331	310
Housing loans (note 16)	56,130	57,345
	126,304	128,622

15 DEFERRED GRANT INCOME

	2021 £'000	2020 £'000
At 1 April	**68,707**	69,085
Grant received in the year	**-**	449
Grant repaid in the year	**(6)**	-
Recycled on disposal	**(203)**	(8)
Released to income in the year	**(813)**	(820)
Released on disposal	**28**	1
At 31 March	**67,713**	68,707
Amounts to be released within one year	**813**	820
Amounts to be released in more than one year	**66,900**	67,887
	67,713	68,707

	2021 £'000	2020 £'000
Government grant previously amortised to income	**13,593**	12,808
Government grant included in deferred income	**67,713**	68,707
Total government grant received	**81,306**	81,515

Previous stock swaps entered into by the Association have resulted in associated grants of £7.81m (2020: £7.62m). These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a contingent liability.

16 HOUSING LOANS

Housing loans from lending institutions are secured by specific charges on the Association's housing properties at rates of interest between 0.274% and 10.34%. They are repayable in instalments due as follows:

	2021 £'000	2020 £'000
In five years or more	32,991	42,602
Between two and five years	20,470	9,718
Between one and two years	3,044	5,962
Loan finance costs	(375)	(396)
	56,130	57,345
In one year or less	3,001	2,890
	59,131	60,235

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 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company 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 company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company 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 company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

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

Pension scheme liabilities recognised in the Statement of Financial Position

	2021 £'000	2020 £'000
Pension obligations recognised as Defined Benefit schemes	465	215
Total pension scheme liabilities	465	215

Statement of Financial Position	2021 £'000	2020 £'000
Fair value of plan assets	2,220	1,887
Present value of funded retirement benefit obligations	(2,685)	(2,102)
Net liability	465	215

Principal actuarial assumptions at the financial position date:

	2021 % per annum	2020 % per annum
Discount Rate	2.15%	2.38%
Inflation (RPI)	3.29%	2.63%
Inflation (CPI)	2.86%	1.63%
Salary Growth	3.86%	2.63%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions applied at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Amounts recognised in the Income Statement	2021 £'000	2020 £'000
Net interest on defined benefit liability	5	13
Expenses paid	4	4
Total expenses	9	17

Amounts recognised in Other Comprehensive Income	2021 £'000	2020 £'000
Experience on plan assets	251	(92)
Experience gains and losses arising on the Plan liabilities	(57)	137
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (losses)/gain	(492)	282
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	(9)	20
Total amount recognised in Other Comprehensive Income – (losses)/gain	(307)	347

Reconciliation of movements on the defined benefit obligation	2021 £'000	2020 £'000
Defined benefit obligation at the start of the period	2,102	2,496
Expenses	4	4
Interest expense	50	57
Actuarial gains/(losses) due to scheme experience	57	(137)
Actuarial gains/(losses) due to changes in demographic assumptions	9	(20)
Actuarial losses/(gains) due to changes in financial assumptions	492	(282)
Benefits paid	(29)	(16)
Defined benefit obligation at the end of the period	2,685	2,102

Reconciliation of movements on the fair value of plan assets	2021 £'000	2020 £'000
Fair value of the Plans' assets at the start of the period	1,887	1,886
Interest income	45	44
Experience gains/(losses) on plan assets	251	(92)
Contributions by the employer	66	65
Benefits paid	(29)	(16)
Fair value of plan assets at the end of the period	2,220	1,887

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £296.000 (2020: £48,000).

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.

	2021 **£'000**	**2020** £'000
Global Equity	**354**	276
Absolute Return	**123**	98
Distressed Opportunities	**64**	36
Credit Relative Value	**70**	52
Alternative Risk Premia	**84**	132
Fund of Hedge Funds	**-**	1
Emerging Markets Debt	**90**	57
Risk Sharing	**81**	64
Insurance-Linked Securities	**53**	58
Property	**46**	42
Infrastructure	**148**	140
Private Debt	**53**	38
Opportunistic Liquid Credit	**56**	46
High Yield	**66**	-
Opportunistic Credit	**61**	-
Corporate Bond Fund	**131**	107
Liquid Credit	**27**	1
Long Lease Property	**44**	33
Secured Income	**92**	72
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**564**	626
Net Current Assets	**13**	8
Total assets	**2,220**	1,887

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.

18 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	2021 Sinking Fund £'000	2020 Sinking Fund £'001
At 1 April	128	63
Additions	33	65
At 31 March	161	128

19 RECYCLED CAPITAL GRANT FUND

	£'000
At 1 April 2020	382
Inputs to RCGF:	
Recycling of grant	203
New Build	-
Repayment of Grant	(72)
At 31 March 2021	513
Amounts 3 years old or older where repayment may be required	182

20 SHARE CAPITAL

Allotted, issued and fully paid	2021 £'000	2020 £'000
At 1 April	6	6
Shares cancelled during the year	(2)	-
As at 31 March	4	6

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.

21 NOTES ON THE CASHFLOW STATEMENT

	2021 £'000	2020 £'000
Surplus for the year	**2,020**	1,763
Depreciation – Housing Properties	**1,736**	1,665
Depreciation – Other tangible fixed assets	**228**	219
Loss on components disposal	**110**	40
Surplus on sale of tangible fixed assets	**(557)**	(96)
Amortisation of government grant	**(813)**	(820)
Change in debtors	**(58)**	13
Change in creditors	**189**	196
Provisions	**33**	65
Pension provision	**(62)**	(35)
Fair value movement	**60**	(90)
Change in properties for sale	**-**	2,129
Interest paid	**2,044**	2,118
Interest received	**(12)**	(31)
Net cash generated from operating activities	**4,918**	7,136

22 TAXATION

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

23 UNITS AND BEDSPACES

	2021 Number	2020 Number
Under management at end of year:		
Owned – General needs	**1,234**	1,216
Owned – Temporary Housing	**8**	6
Owned – Shared ownership	**79**	100
Owned – London Living Rent	**18**	-
	1,339	1,322

24 RELATED PARTY TRANSACTIONS

Disclosures in relation to key management personnel are set out below:

	2021 £'000	2020 £'000
Basic salary	311	291
Employers national insurance	39	36
Pensions contributions	22	20
As at 31 March	372	347

25 FINANCIAL INSTRUMENTS

The Association's income, expense, gains and losses in respect of the financial instruments are summaries below:

Interest income and expense	2021 £'000	2020 £'000
Total interest income for financial assets at fair value through profit or loss	6	6
Total interest expense for financial liabilities at amortised cost	2,039	2,105
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	(60)	90

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

26 PRIOR YEAR ADJUSTMENT

A prior year adjustment was made in order to re-alignment depreciation charges in relation to leasehold properties held by the Association to ensure they are held at nil net book value at the end of the lease term. This has resulted in an increase in the depreciation charge and associated decrease in profit in the prior year of £0.065million. There has also been an adjustment to the brought forward depreciation and a decrease in retained earnings of £1.35million in relation to this matter.

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