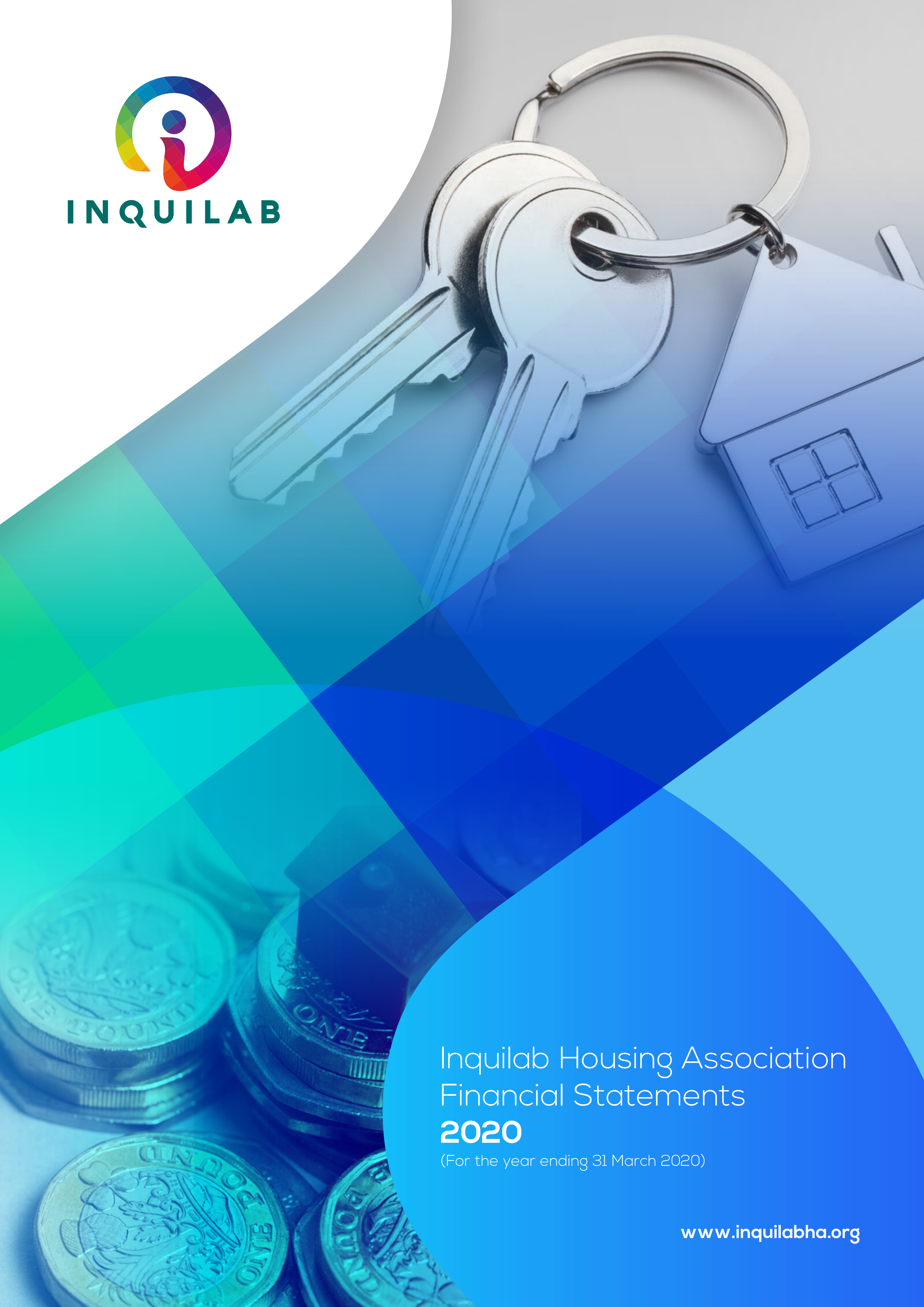


INQUILAB

Inquilab Housing Association Financial Statements 2020

(For the year ending 31 March 2020)

www.inquilabha.org

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

Registered Social Landlord
No. LH3728

FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2020

CONTENTS

EXECUTIVES AND ADVISORS

BOARD OF MANAGEMENT

Pamela Leonce (Chair)
Peter Calderbank (Chair – Audit Committee)
Nisha Makwana
Puneet Rajput
Gordon Mattocks
John Barr (Appointed June 2019)
Katie Wilmot (Appointed June 2019)
Peta Caine (Appointed June 2019)
Nigel Newman (Resigned October 2019)
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

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

INTRODUCTION FROM THE CHAIR

Four years ago we launched our Corporate Plan for 2016-21 which was based on a strong vision to become *'A top performing, customer-driven business, making a positive contribution to supporting diverse and cohesive communities'*. It included a clear set of values that we developed with our staff and with our residents. The plan was rooted in building on a strong foundation to create a modern, forward thinking organisation.

I am pleased that during the the year ending 31 March 2020 Inquilab continued its journey of transformation and modernisation towards delivering its vision and living up to its values.

During the year we made progress on several fronts including the re-procurement of our repairs service and secured additional funding from our lenders.

As a housing association with a strong social purpose, we continue to help some of the most vulnerable in society. Our commitment to supporting our communities has ensured that we continue to collaborate with partners to build new homes and supporting residents into paid work. This means people are gaining the right skills to find suitable employment, which is something we are very proud of.

Good governance is central to making sure that Inquilab is well-run, innovative and successful. We continue to focus on ensuring the safety of our homes. Last year we reviewed our health and safety work and identified areas to strengthen which the regulator of social housing (RSH) agreed with following an In-Depth Assessment. The In-Depth Assessment resulted in a movement in our governance grading from G1 to G2. We will continue to put all our energies into improving our governance structures, whilst continuing to deliver consistent and high standard services to our residents.

We are pleased to have appointed three new board members during the year with strong finance, asset, and customer experience, as well as a real commitment to our vision and values. One of the new board members is also an Inquilab leaseholder. We were sad to lose one Board member after almost six years of great service.

We involve our customers and residents in decisions that affect frontline services through our Residents Scrutiny Panel and Customer Advisory Panel. These groups have an important 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 Value for Money, 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.

In delivering on our Corporate Plan, we continue to work in partnership with others. We work with the Black and Minority Ethnic (BME) London housing associations, who collaborate to deliver to our communities which include setting up the Build London Partnership (BLP) with L&Q so we can play a full part in working together to help address the housing crisis in London by delivering good quality, affordable homes. We were also delighted to lead the Leadership 2025 initiative in collaboration with BME London which seeks to positively influence the housing sector by challenging current perceptions and promoting the fact that diversity is not just something that ticks boxes but is good for business.

The Government's Social Housing Green Paper was launched in August 2018 and, working with our Resident Panels, we put residents and staff at the heart of our response.

The year has not been without its challenges. First there was the ongoing uncertainty around Brexit which had an impact on consumer confidence; then we saw a slowing down of the housing market; and then there was the impact of COVID-19.

The tragedy of Grenfell reminds us that the safety of our residents is paramount and that as an organisation we must continue to respond quickly to the changing economic and political landscape. However, together with our staff and residents, we will continue to strive to support our residents and communities.

Pamela Leonce
Chair
Dated 29 July 2020

REPORT OF THE BOARD

The Board presents its report and the Association's audited financial statements for the year ended 31 March 2020.

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 for the Association 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.

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 the Association will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association, and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2019, and the Statement of Recommended Practice: Accounting by Registered Social Landlords (2018).

They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Key aspects of the Association's current governance procedures are as detailed below.

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 the strategic direction and financial and operational performance of the Association. 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 below. 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 and the Board.

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, the Association's activities and objectives and the environment in which it operates. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

BOARD COMMITTEES

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

The Audit and Assurance Committee (A&AC)

This committee comprises four Board members and 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 Association's annual report and accounts, the work of the internal audit service, the external audit by the external auditor 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 the relationship between the Association and its auditors under review and considers their independence, including the extent of their fees from non-audit services.

Remuneration & Nominations Committee (RNC)

This committee comprises three Board members. It is responsible for the recruitment of Board members, the Board member appraisal system, advising on general corporate governance issues 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 the Association's residents and other customers and monitoring resident engagement activities.

REVIEW OF THE BUSINESS

Inquilab Housing Association Limited (the Association or Inquilab) is a charitable social landlord administered by a board of management. Inquilab is regulated by the Regulator of Social Housing (RSH) and is 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 afford the outright purchase of homes on the open market.
- Working in close partnership with other Registered Providers, local authorities, community Associations, local contractors and encouraging residents' participation in all levels of our decision making to improve the quality of life in the local communities.

We pride ourselves in being a community-based association and we are passionate about supporting our communities, providing good quality homes and an excellent customer service to the people we serve.

Our values help to guide our people and inform their behaviours and decision-making. It is important that we challenge and support each other, and tackle problems head-on so that we can perform better.

We provide housing for over 3,600 residents in West and North-West London, Elmbridge and Slough through a wide range of rental and homeownership opportunities. Our primary objective is to provide our residents with a quality service while maintaining the 1,322 homes we own to a high standard.

We build high quality homes at affordable rents to meet the needs of our current and future residents. We also assist with finding employment for our residents and the wider community. We are committed to helping address wider social issues among our residents and communities including providing them with financial inclusion advice and support.

We invest all our income in support of our charitable objectives. These objectives include building new affordable homes, letting and maintaining our existing homes, improving our customer service and supporting our most vulnerable customers and local communities.

As government grants are cut back, it is increasingly difficult to produce social and affordable housing; but by continuing to use surpluses generated from our core activities to plough back into our social purpose, we can ensure we create the right mix of homes and contribute to addressing the housing crisis in and around London.

OUR MISSION, VISION & VALUES

Our Mission	Our Vision	Our Values
To meet housing need and support sustainable communities	A top performing, customer driven business, making a positive contribution to supporting diverse and cohesive communities	**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

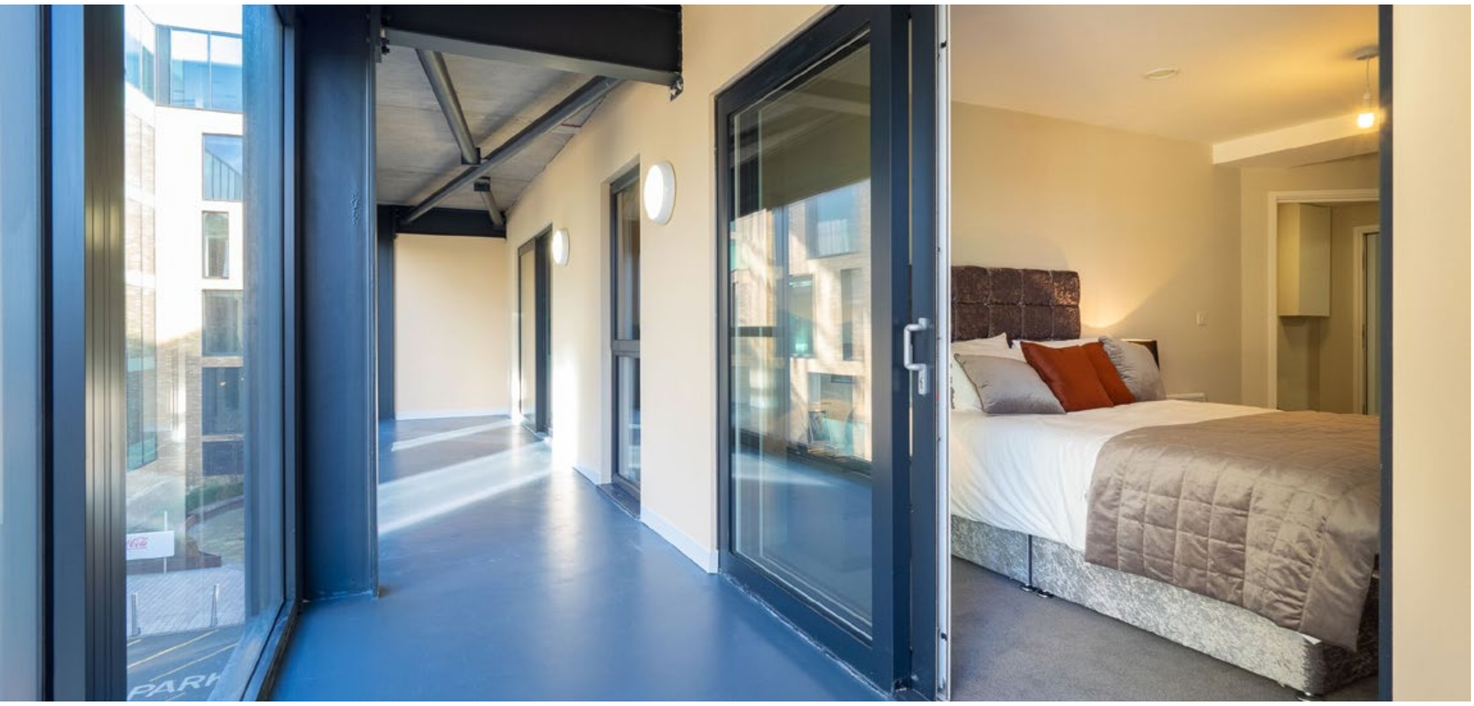
CORPORATE PLAN

Our corporate plan sets out our key objectives and growth strategy and recognises the important influence of the political and economic operating environment. We continue to review the corporate plan on an on-going basis in response to significant changes in the operating environment.

The Corporate Plan sets out our three strategic objectives, and these are set out below

Corporate Objectives

- **Improve the Customer Experience**
- **Investing in Homes and Communities**
- **Strengthen the Business**



OUR STRATEGIC GOALS

CORE THEMES	KEY GOALS
FINANCIAL STRENGTH	• Maintain an annual surplus to turnover ratio of at least 10% year on year. • Risk management and the delivery of capital programmes will include a focus on protecting the Association appropriately from downside risks.
NEW HOMES	• Maximise the number of new rented homes we can deliver through cross-subsidy from other tenure and using grant where available on acceptable terms. • Build new shared ownership homes to meet the aspirations of those who seek to own their own home.
OUR LANDLORD SERVICES	• Tailor the services we provide to meet the different requirements of social renters and leaseholders. • Invest in our stock to ensure that our assets are managed cost effectively and well maintained to achieve agreed levels of customer satisfaction.
FINANCIAL INCLUSION AND PARTNERSHIPS	• Deliver cost effective initiatives to help residents into work. • Use our supply chain to create training and employment opportunities for our residents. • Provide financial inclusion advice to residents.
PEOPLE	• Implement recruitment processes to enable high calibre appointments. • Build staff capacity to deliver great services, growth and commercial success. • Promote staff engagement.

We have completed four years of our five-year Corporate Plan, which sets out the changes that we want to make as an organisation to 2021. One of our continuing priorities is to invest in homes and 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 continue to measure our performance against set financial standards, which help ensure our organisation is financially secure and robust. Although we had a challenging year and operated in a difficult external environment, we are pleased to report that the Regulator for Social Housing retained our V1 rating for financial viability following the In-Depth Assessment. Maintaining this rating will help us to optimise the use of our balance sheet to secure new funding to support our corporate plan priority of building new homes.

During 2020, we had our In-Depth Assessment by the Regulator of Social Housing, which led to our regulatory rating changing from G1 to G2. We have put processes in place and are working towards regaining our G1 status.

Our Corporate Plan sets challenging targets to maintain our operating margins and we continue to work towards this. We continue to achieve our operating margin targets enabling us to invest more in building new affordable housing whilst continuing to maintain and invest in our existing properties. To support delivery of these targets, we have improved our budgeting process and we continue work on improving our budget management and forecasting process which will effectively underpin work across the organisation to reduce our cost base and deliver efficiencies to support the delivery of our value for money strategy and improve the operating surplus.

We have adopted agile working to further deliver efficiency savings and help increase staff satisfaction over time.

Transformational changes are continuing to take place across existing work structures and core processes (including customer services, asset management and responsive repairs). Our corporate plan is centred around improving our customer experience and ensuring that the homes our residents live in are safe and well-maintained. We have invested and will continue to invest significant sums on fire safety and compliance works which is at the heart of helping to keep our residents safe and secure in their homes.

New technology has been introduced to improve our ways of working and to effectively support all the structural and process changes made. In the year under review we continued to pursue operational, systems and cultural improvements for the organisation as part of the 'Inquilab Way' Transformation Programme.

Following a tendering process during the year, we procured a new repairs and maintenance service which will be delivered through a partnering arrangement with Gilmartins. The service will help to ensure consistency in delivering a quality-based repairs service, ensures we have control over our property data, and we continue to drive for better value for money as we engage external contractors. Plans are underway to further improve the efficiency of the repairs and maintenance service by streamlining and integrating systems and governance processes.

We also launched our transformation programme to help us provide better, faster, and lower cost services to our residents. We continue to invest in our Microsoft Dynamics 365 platform to unify our existing systems into a single platform.

We have made good progress on many of the Corporate plan initiatives and delivered what we said we would but there is more to do to get to where we want to be.

Looking to the year ahead, we will need to manage the challenges and opportunities in our external and internal operating environment: delivering growth, maintaining our financial strength and performance and investing in our services and existing homes.

We launched an Information Governance Strategy to support robust delivery of data cleansing across the organisation, to ensure we are better placed to take appropriate data driven decisions. A Data Management Strategy will be launched in 2020 to enhance reporting capability. The focus on data quality and reporting capability underpins better insight and more timely and informed decision making which supports organisational efficiency and growth.

Work is continuing on standardisation of services and contract management which should result in improved efficiency in these areas.

Our Development Strategy sets out a clear strategic change of direction with a focus on building on sites within our existing portfolio and stock rationalisation which will lead to reduced operating costs.

COVID-19 RESPONSE

We collect data and information on our residents and are therefore able to support those that are vulnerable and at-risk households as a result of the COVID-19 pandemic. This includes residents who are self-isolating or in quarantine. The information is provided to contractors and others who must visit the property in the event of an emergency. We liaise with GP practices, social care agencies, charities, residents' groups and the police in order to build up an improved response plan. We continue to actively update our profiling information in order to provide the customer support needed.

FINANCIAL OVERVIEW

As an organisation, we must generate sufficient income to meet our operating costs, loan interest payments, and investment in our homes. We generate enough surpluses before sales to cover interest costs.

We will continue to use our unrestricted surpluses to ensure that we achieve the objectives of our Corporate Plan.

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 year increased to £12.15m in 2020 from £9.55m in 2019, with £9.66m (2019: £9.54m) generated from social housing and £2.43m (2019: £0m) from sales. Of the £12.15m turnover in the year (2019: £9.55m), 80% was generated from our core social housing lettings activities and 20% from first tranche shared ownership sales with the increase in housing stock outstripping the effects of a continued period of rent reduction on the core social housing lettings activities. The surplus before tax and after interest was £1.82m (2019: £2.05m) and was above the approved budget of £1.18m.

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

- Turnover for the year to March 2020 included proceeds from first tranche shared ownership sales. There were no first tranche sales in the prior year.
- The surplus from staircasing sales was lower due to fewer leaseholders increasing their equity stake in their homes.
- Operating costs were higher because of additional costs arising from health and safety compliance and repairs expenditure.
- Financing costs increased to £2.16m from £1.87m as a direct result of the increased borrowing in the year to fund our growth ambitions.
- The main other contributory factor to the increased surplus for the year figure was an actuarial gain of £0.65m (2019: £151k) following a reduction in pension liabilities.

Summary Statement of Comprehensive Income (£000)	2020	2019	2018	2017	2016
Turnover	**£12,152**	£9,549	£9,533	£9,797	£10,621
Operating costs and cost of sales	**(£8,423)**	(£5,942)	(£5,366)	(£5,532)	(£6,045)
Operating surplus	**£3,729**	**£3,607**	**£4,167**	**£4,265**	**£4,576**
Net interest charge and other finance costs	**(£2,087)**	(£1,861)	(£1,839)	(£1,943)	(£2,161)
Surplus on disposal of assets	**£96**	£280	£697	£375	£248
Movement in fair value of investment	**£90**	£26	£8	£52	£17
Other Comprehensive Income	**£347**	(£298)	£0	£0	£0
Surplus for the year	**£2,175**	**£1,754**	**£3,033**	**£2,749**	**£2,680**
Operating surplus margin %	**30.7%**	37.8%	43.7%	43.5%	43.1%

Summary Statement of Financial Position (£000)	2020	2019	2018	2017	2016
Housing properties at cost less depreciation	**154,820**	151,891	152,282	143,803	145,197
Other tangible fixed assets and investments	**2,621**	2,678	2,653	2,289	202
Net current assets	**4,823**	2,157	126	10,548	11,590
Total assets less current liabilities	**162,264**	**156,726**	**155,061**	**156,640**	**156,989**
Loans due after one year	**57,345**	55,384	55,447	58,474	60,814
Unamortised grant liability	**67,887**	68,274	68,556	68,893	69,475
Other long-term liabilities	**3,733**	1,944	1,835	2,936	3,112
Revenue reserve	**33,299**	31,124	29,223	26,337	23,588
	162,264	**156,726**	**155,061**	**156,640**	**156,989**

Overall, the results demonstrate that our focus on improving operating margins should remain high. We regularly stress test our financial plans to ensure we are resilient to changes in economic assumptions in relation to internal and external factors. We also have available to us substantial liquidity of over £9m at 31 March 2020 and an undrawn secured facility of £2m.

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

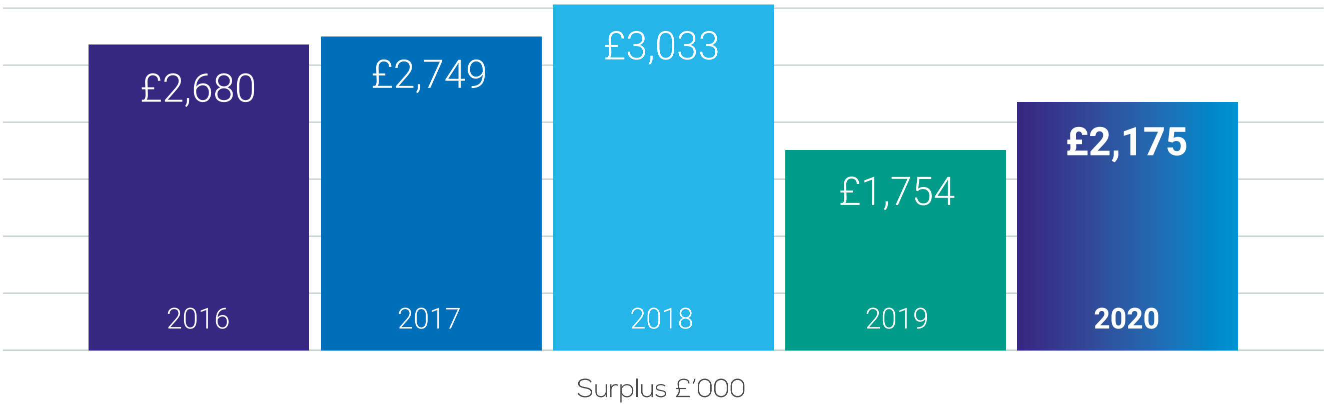
We continue to generate sufficient surpluses before sales to cover interest costs and maintain the level of re-investment in our stock. Key performance indicators are used to track and monitor performance together with regular peer group benchmarking.

We maintain a robust financial position, reflecting a strong statement of financial position and cash reserves.

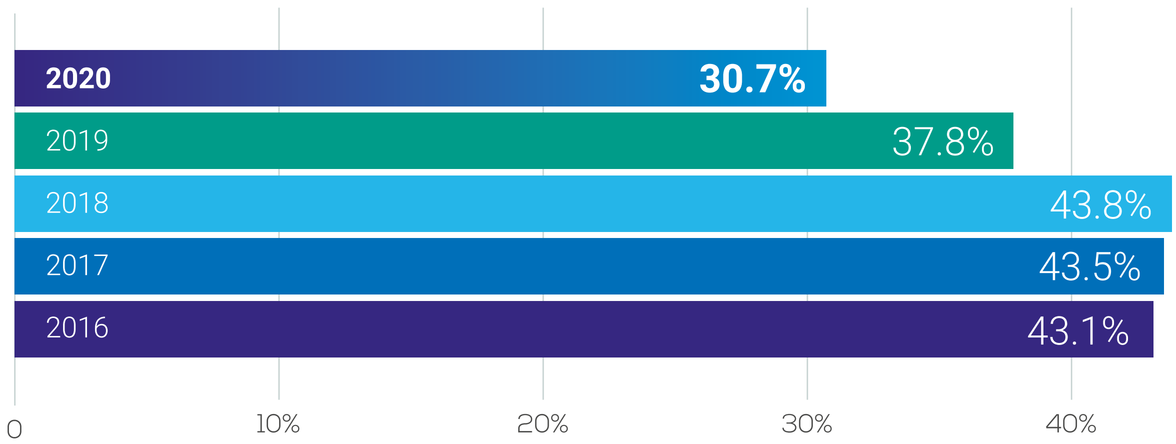
Turnover £'000

KEY FEATURES OF THE RESULTS WERE:

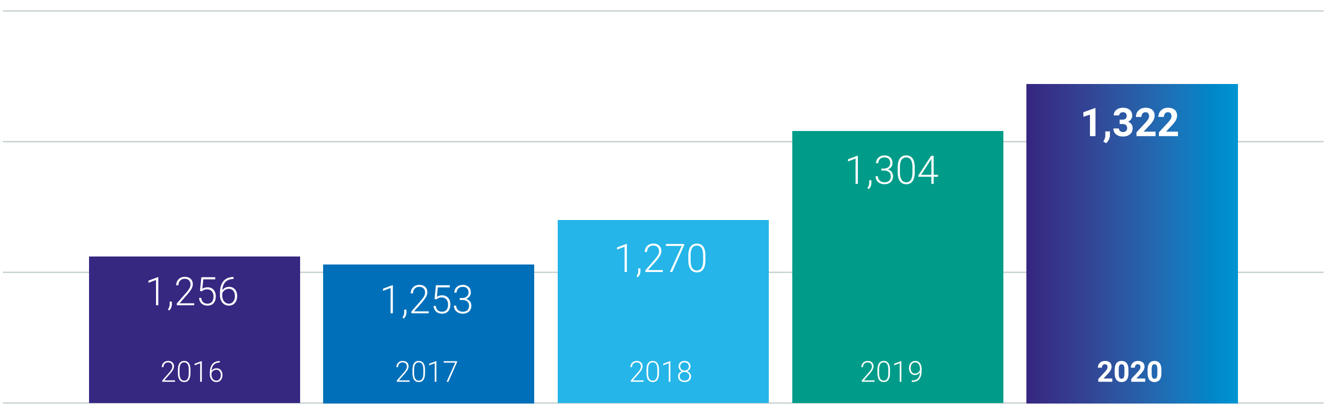
An operating surplus of £2.175 million (2019: £1.754 million)



An overall operating margin of 30.7% (2019: 37.8%)



Number of homes owned 1,322 (2019: 1,304)



VALUE FOR MONEY (VfM)

OUR STRATEGIC APPROACH TO VfM

The Board is responsible for ensuring we have a comprehensive and strategic approach to achieving VfM. For Inquilab, VfM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes appropriate to London's needs, supported by high quality services and support. Value therefore means the number of homes, the appropriateness of those homes to London's needs, and the quality of the homes and services we provide, which in turn lead to improved quality of life and wellbeing for our residents.

Our approach to VfM is structured around:

- Understanding our costs, benchmarking them internally and with our sector peers
- Ensuring that we deliver VfM through service, team and individual plans
- Making sure that quality is an essential element in VfM decisions
- Actively involving residents in decisions that affect services
- Reinvesting financial savings into improving current and future services
- Challenging how we deliver services and deliver VfM
- Ensuring that our staff become VfM 'champions' and embed VfM into our culture
- Quantifying efficiencies to monitor savings, quality improvement and regulatory compliance
- Procuring goods and services more effectively.

To remain transparent with our activities and demonstrate to our Board and stakeholders how we achieve VfM we publish outcomes and evidence that supports our approach on our website (www.inquilabha.org).

REGULATOR OF SOCIAL HOUSING (RSH) VALUE FOR MONEY METRICS

We have used the Sector Scorecard to complete a thorough review of our relative position in the market, to understand performance and market influence relative to other social housing providers in our selected peer group.

Benchmarking and cost comparison are key drivers in our continuous improvement programme. We utilise HouseMark benchmarking data to understand how our costs and performance compare to other providers and to prioritise our work.

We have chosen to compare ourselves with other London and South East-based housing associations managing fewer than 7,500 properties, selecting this peer group because the location we share has a strong correlation between cost and satisfaction.

The Regulator of Social Housing (RSH) VfM Standard applies to all registered providers (RPs) and it sets key sector metrics which providers must report on.

The Association has chosen the metrics below in setting its performance for the year to 31 March 2020.

Summary	Measure	Our Targets 2020	Actual 2020	Actual 2019	Peer Median 2019
Business Health	• Operating Margin (overall excluding fixed asset disposals)	25.69%	**30.69%**	37.77%	27.50%
	• Operating Margin (social housing lettings excluding disposal of fixed assets)	31.94%	**38.09%**	39.02%	28.85%
	• EBIT DA MRI (as a percentage of interest)	157.50%	**203.45%**	178.98%	150.05%
Development – capacity and supply	• New supply – social	0	**19**	37	n/a
	• New supply social as a % of total units owned	0.00%	**1.44%**	2.84%	1.71%
	• New supply delivered % (non-Social Housing)	0.00%	**0.00%**	0.00%	0.00%
	• Gearing	34.38%	**32.99%**	36.75%	40.00%
	• Resident satisfaction	75%	**61%**	56%	73%
Outcomes delivered	• Reinvestment	0.65%	**2.15%**	1.44%	4.05%
	• Return on capital employed (ROCE)	2.13%	**2.36%**	2.48%	2.80%
Effective asset management	• Voids	0.75%	**0.54%**	0.21%	n/a
	• Ratio of responsive repairs to planned maintenance	0.44	**0.79**	0.42	0.67
	• Headline Social Housing Cost Per Unit (SHCPU)	£4,322	**£3,830**	£3,868	£4,823
Operating efficiencies	• Rent collected	100.00%	**99.04%**	98.71%	99.84%
	• Overheads as a percentage of adjusted turnover	17.54%	**13.41%**	13.84%	13.66%

Our comparative performance against the peer group median is better in most areas. However, we aim to achieve top quartile results by further improving the business health metrics across the Association through improved efficiency and savings from our transformation programme, organisational restructure and cross functional work process reviews.

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

Operating Margin % (overall): measures the profitability of the organisational operating assets. Our ratio of 30.69% was a reduction on the previous year's ratio of 37.77%. Key drivers of the lower operating margin are lower margins achieved on first tranche sales and higher spend on fire-related compliance costs. The 2019 peer group median ratio was 27.50%.

Operating Margin % Social Housing (SH): measures the profitability of the social housing operating assets. Our ratio of 38.09% was a decline on the previous year's ratio of 39.02%. Although the core revenue stream remains strong, the social housing lettings operating margin is down compared to the previous year mainly as a result of higher spend on health and safety works undertaken during the year. The 2019 median ratio for the peer group was 28.85%.

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 ratio for the year was 203% compared to the prior year's ratio of 179%. The improvement is partly attributable to the delayed completion of the major works programme following the re-procurement of the contract. The result for the year exceeded the 2019 Peer Group median ratio of 150%.

New supply delivered % (social housing): sets out the number of new social housing units acquired or developed in the year as a proportion of the total social housing units. The acquisition of a 19-unit block meant our stock numbers increased by 1.44%. Again, this compares less favourably against the peer group median of 1.71%. The key reason for this is the lack of availability of financially viable schemes in our key areas of operation.

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 decreased to 32.99% from 36.75% following the drawdown of an additional £3m in loan financing during the year. The outturn ratio of 33.26% compares favourably against the 2019 Peer Group median of 40.00%.

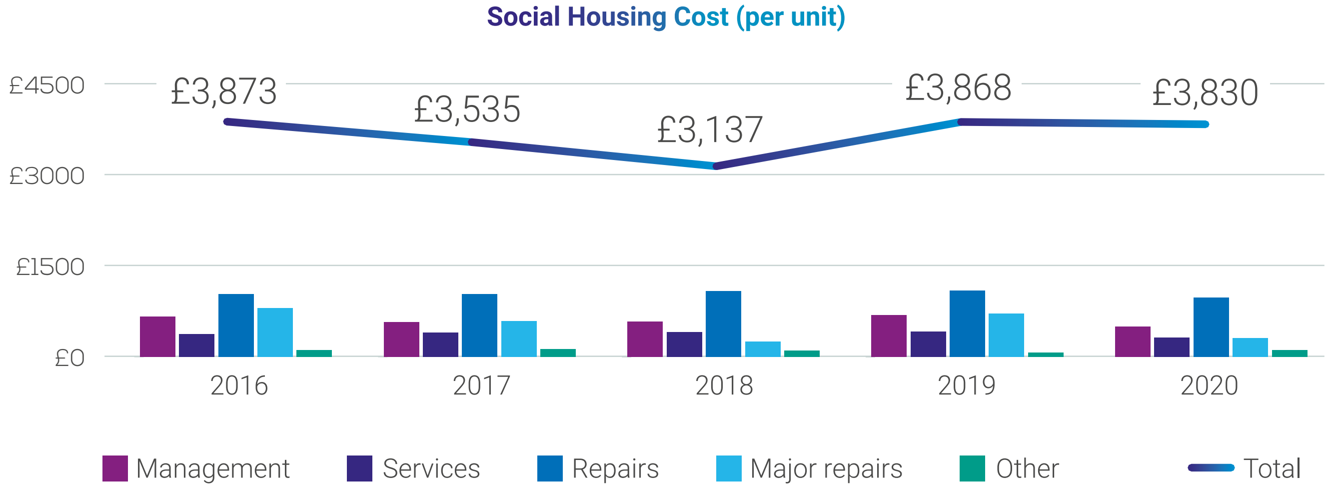
Resident satisfaction: a combination of factors including the re-procurement of both the repairs and estate maintenance services contributed to the improvement in this area. Repairs satisfaction heavily impacts overall customer satisfaction. Improvements from the Inquilab Way service review will further contribute to increased satisfaction rates.

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 2020, we completed the acquisition of a 19-unit block and re-invested £285k in replacing components within existing properties. Our goal for the coming years is to build/acquire an additional 60 new homes through our partnership arrangements. Whilst our outcome of 2.15% is an improvement on last year's figure, it compares less favourably against the 2019 peer group median 4.05%; this is primarily as a result of our recent history in high value development schemes.

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 2020 was 2.36% (March 2019: 2.48%). The decline in the ratio was largely due to an increase in the total assets position following the acquisition of units from another RP. The peer group's median score for 2019 was 2.80%.

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 decreased slightly from the previous year, partly due to reasons covered off above. Our cost per unit decreased to £3,830 from £3,868 mainly as result of reduced spend on our major works programme. The 2019 Peer Association figure was £4,823.

OUR COST PER UNIT BREAKDOWN IN £



Year to March	Management	Services	Repairs	Major repairs	Other	Total
2020	**£859**	**£554**	**£1,691**	**£534**	**£192**	**£3,830**
2019	£890	£537	£1,417	£928	£96	£3,868
2018	£749	£528	£1,403	£324	£133	£3,137
2017	£744	£513	£1,344	£767	£167	£3,535
2016	£859	£491	£1,338	£1,046	£139	£3,873

PEER ASSOCIATION – COST PER UNIT COMPARISON

The tables above show our performance over the last five years. Our social housing cost per unit at £3,830 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.

HouseMark benchmarking analysis highlights the two most significant drivers of cost per unit, being the size of the Association with larger associations benefitting from economies of scale and revenue mix.

Our lower returns on investment across both benchmarks reinforces the need for the current focus on reducing our cost base and driving through efficiency savings over the five-year Corporate Plan timeline. There is clearly headroom for savings in all three major cost categories; management, maintenance and major repairs. The number of units developed has reduced compared to the previous year through a more prudent development appetite given market conditions as we work to effectively manage our cash flow and debt positions, keeping our gearing on target. Although our gearing has decreased slightly across financial years, we have secured long term loans at more favourable rates, the benefits of which will be realised from reduced interest costs.

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. Our BME London collaboration plays a critical role in ensuring we invest in our communities. The core revenue stream (social housing lettings) has performed well.

Whilst we have benchmarked ourselves against other peer member's, 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.

PERFORMANCE MONITORING

The Board monitors actual performance against Key Performance Indicators (KPIs) which supports delivery of the objectives set out in the Corporate Plan. The key focus remains resident satisfaction – with our new homes, our resident services and repairs services. Our committees receive detailed performance information on specific areas, including customer satisfaction and operational performance.

The Executive Team monitors and reviews a more detailed set of KPIs monthly, together with a report on financial performance for the month. Our performance against a set of financial standards are also reviewed as part of the monthly monitoring of performance. The Executive Team reviews performance against both financial and non-financial KPIs, challenges performance and makes informed decisions to improve performance in line with targets. Departments report, monitor, and review a detailed set of operational KPIs on a weekly basis, as part of their weekly information centre's review and discussion process.

We regularly monitor a range of KPIs at different levels in the organisation through monthly Performance Review Meetings, chaired by the Chief Executive. KPIs are set annually with agreed targets which performance is measured against. The Board or Executive Team have the flexibility to change the suite of KPIs that are reviewed during the year if operational or strategic issues arise. Significant areas of concern are escalated to the Leadership and Executive Teams.

The key objective for the year was to ensure that we maintain and increase residents' satisfaction with the estate and repairs services.

There were indicators that the service provision in both areas was slipping. As a result of the early indicators we re-procured both services during the year. The benefits of which should show in the following years performance.

Looking ahead we will be working closely with our contractors and residents to ensure that the required improvements in resident satisfaction are delivered. This forms the basis of the on-going transformation project.

The key performance indicators assist the Board in monitoring progress against delivery of the Corporate objectives

Key Performance Indicator	Target 31/03/2020	Performance 31/03/2020	Performance 31/03/2019	Commentary
Repair Cost per Property	£468	£522	£565	The repairs related indicators dipped initially following the re-tendering of the service provision but have now started to move in the right direction. The repairs transformation project currently underway is aimed at delivering improved satisfaction ratings and efficiency savings
Repairs right first time – transactional (%)	75%	64%	76%	
Tenant satisfaction with repairs service (%)	78%	67%	78%	
Properties with a valid gas safety certificate (%)	100%	100%	100%	We achieved our target
Percentage of residents 'satisfied' with cleaning and gardening (%)	70%	54%	77%	Service re-procured following consultation with residents. We are beginning to see improvements in the satisfaction ratings and the direction of travel has been positive
Tenant satisfaction with the delivery of the capital programme (%)	98%	98%	98%	We achieved our target
Rent arrears (%)	5.04%	7.12%	6.09%	Collection target not achieved as more residents moved to universal credit payments
Rent collected (%) – year to date	100.00%	99.62%	98.82%	
Average SAP rating	72	73	73	We achieved our target

HOW OUR CUSTOMERS CONTRIBUTE

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

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

GOVERNANCE AND FINANCIAL VIABILITY STANDARD

At its July 2020 meeting the Board reviewed a detailed evidence-based assessment of the Association's compliance with the Regulator of Social Housing's Governance and Viability Standard and the supporting Code of Practice. Based on that review, the Board hereby certifies its compliance with the Standard and the supporting Code.

This Code is issued by the Regulator of Social Housing under section 195(1) of the Housing & Regeneration Act 2008 (as amended) (the Act). It relates to the Governance and Financial Viability Standard set by the regulator under section 194(1) of the Act (the Standard). The Code applies to all registered providers who are subject to the Standard (i.e. registered providers and not local authority providers of social housing).

An In-Depth Assessment ("IDA") by the Regulator took place in the summer of 2019 and this led to a downgrade from a G1 to G2 in our governance regulatory rating. A series of measures have been put in place to regain our G1 rating over the coming year.

We retained our V1 rating for financial viability which recognises we are an active, successful and developing housing association.

CODE OF GOVERNANCE

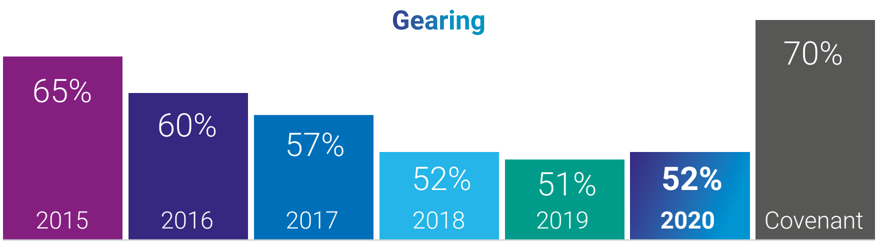
The Association adopts the NHF Code of Governance and following a detailed assessment against the provisions of the Code, has confirmed its compliance.

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. The Association continues to operate within the limits set by its lenders, based primarily on gearing and interest cover.

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.



PRINCIPAL RISKS AND UNCERTAINITIES

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 Team responsible for identifying, evaluating, managing and reporting any strategic risk. Operational risks are largely the responsibility of directors, but with Executive Team and AAC oversight and challenge.

RISK APPETITE

The Association operates 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 discussed and agreed its risk appetite (both quantitative and qualitative) at its meeting on February 2020 and was reconfirmed at the May 2020 meeting following the onset of the COVID-19 pandemic. The risk appetite informs the organisation's overall approach to risk.

The Association has assessed that the risks in the following table are those most likely to influence future viability, performance and reputation. We have put in place strategies against each of the risks that have been identified. The major risks can be considered under the headings of:
(i) financial risk; and
(ii) those that threaten our reputation.

FINANCIAL

Risk	Mitigation
Significant Property Health & Safety failure	Health and safety risks are regularly reviewed by the internal Health & Safety Group, Executives, the Audit & Assurance Committee and the Board. Emphasis has been placed on the management of health and safety risks within our residential property stock, including an extensive programme of fire safety works. The Association has reviewed its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and the government.
Unknown and unforeseen changes to government policy/regulatory regime/ external environment	We continue to stress test business plans with changing scenarios and reviewing uncommitted development programme. With the onset of COVID-19, we have considered any likely changes in circumstance of our residents and government rent agreement in stress testing our business plans.
Failure to meet income target	The onset of COVID-19 is likely to impact on income recovery. Additional resources are been deployed to mitigate this risk and whilst enhancing our financial inclusion work.
Funding market contraction	We have in place a treasury policy which includes a liquidity policy that the board monitors closely. The policy is approved annually by the board and sets out minimum levels of liquidity both in terms of cash and short-term money market deposits.

REPUTATIONAL

Risk	Mitigation
Non-compliance General Data Protection Regulations (GDPR)	We have focused on improvements to our systems and processes to ensure compliance with GDPR. These are reviewed periodically by our internal auditors.
Non-compliance with Regulatory Standards	Board approved compliance action plans are monitored by the Audit & Assurance Committee regularly.
Counterparty risks (Business continuity)	With the onset of COVID-19, we are reviewing plans to deal with all potential threats to business continuity including suppliers/contractor's failure and reviewing their Brexit action plans.

GOING CONCERN

The Board has made enquiries and examined areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist, other than as reflected in these financial statements. Our business activities, current financial position and factors likely to affect our future operations are set out within the business plan.

Following the recent changes in the external environment especially with the onset of COVID-19, we have carried out several stress tests on the business plan assumptions to measure the impact of changes in these on our loan covenants. Taking the mitigation actions identified into account, the Board is satisfied the plan has sufficient funding and is sufficiently robust to ensure that there will be no financial covenant breaches over the 12months from the date of approval of the financial statements. We have in place cash reserves, a fully secured undrawn revolver credit facility and long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with our day-to-day operations, for the foreseeable future. Our development programme over the next 12months remains uncommitted and 39% of the rental income is funded through direct payments to the Association. 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 £7.14 million (2019: £4.29 million). The Association had cash reserves of £9.16 million at 31 March 2020 (2019: £3.06 million).

CAPITAL STRUCTURE

The Association's assets are financed by a combination of:

- Social housing grants of £69 million (43%),
- Private finance (loans) of £60 million (37%), and
- Internally generated funds of £33 million (20%).

At March 2020, we had a fully secured, unused revolving credit facility of £2 million.

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 2020 was £111.21 (March 2019: £111.73).

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 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. The Association's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Association's 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 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 under review up to and including the date of approval of the annual report and financial statements. Some of the key policies and processes that the Board has established to provide effective internal control include:

- Clearly delegated powers to Board committees, and the Executive Team
- Robust strategic and business planning processes with detailed financial budgets and forecasts
- Regular reporting to the Board and appropriate committees on key business objectives, targets and outcomes
- Regular Board review of risk management processes
- Documented policies and procedures for all key operational areas
- Maintaining a fraud register and related processes including the review of the register at 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.

DONATIONS

The Association made no political donations during the year (2019: £nil).

AUDITORS

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

During the year, the Board and AAC reviewed the effectiveness of the external audit process.

Nexia Smith Williamson expressed its willingness to continue in office and a resolution for the reappointment of Nexia Smith Williamson as auditors of the Association is to be proposed at the forthcoming annual general meeting.

LOOKING AHEAD

We are in the midst of a significant change programme called The Inquilab Way to enable us to become a more effective, agile and versatile organisation. This will bring lasting benefits for the future and help ensure we deliver on our Corporate Plan priorities.

Much of our focus over the coming year will be in investing and implementing new technology to assist us in providing an improved service for our residents and customers. Our aim is to create a seamless and consistent experience for our customers as well as develop an internal culture where customers are at the heart of all that we do.

We have implemented four out of the five phases of our new Customer Relationship Management system (CRM). Phase five will integrate our system with our partnering contractors and will improve our customer experience even further.

These technologies are all building blocks that we will keep on developing to create an appropriate customer service offer, giving customers a selection of ways to interact with us, how and when they want to.

To make the best of the technologies, we also reviewed our operational structure to build a stronger customer and communities service team which can resolve queries at that first point of contact. The impact of this will be felt positively by our customers and residents during the new financial year. During 2019 we achieved savings despite the challenging environment resulting in a slowing sales market.

We have increased spend on health and safety-related areas to ensure we can maintain high standards of safety for our residents. The increased safety spends, coupled with a constriction in first tranche property sales has meant that we ended the year with a much lower operating margin compared to the prior year. However, we remain committed to continuing to build our financial resilience and delivering our Corporate Plan.

We remain totally committed to ensuring the safety of our residents and we will continue to comply with any future regulatory changes. We are also keen to understand if any retrospective changes will have an impact on our residents and buildings. Similarly, we are creating a dedicated property management team to look after our properties, making sure our homes are safe and well maintained. We firmly believe that we can and will play a central role in helping to tackle the ever more acute housing crisis.

The 2020/21 budgeted position has been set quite stringently to deliver efficiency savings whilst increasing spend in health and safety areas. As part of our Corporate Plan priorities, we are committed to improving our customer services.

Our Corporate Plan commits to delivering new homes over the coming years with a renewed emphasis on our core aim of providing more affordable homes for those in greater need. We are a GLA strategic partner and we recently signed an agreement with GLA to provide more housing in London.

This report and its narrative is signed and agreed by

Gina Amoh
Chief Executive and Secretary
Dated 29 July 2020

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 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2020 and of its surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2018, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

EMPHASIS OF MATTER – IMPACT OF COVID-19

We draw attention to note 1.3 of the financial statements which describes management's assessment of the effect of COVID-19 on the Association. Our opinion is not modified in respect of this matter.

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 is responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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 the 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 Board 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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

19 August 2020

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Turnover	2	12,152	9,549
Cost of Sales	2	(2,210)	-
Operating expenditure	2	(6,213)	(5,942)
Gain on disposal of housing properties	2/5	96	280
Operating surplus	**2**	**3,825**	**3,887**
Interest receivable	6	31	17
Interest payable and financing costs	7	(2,118)	(1,878)
Movement in fair value of investment	11	90	26
Surplus for the financial year		1,828	2,052
Other comprehensive income			
Adjustment arising on change in accounting for the defined benefit pension obligation	18	-	(147)
Actuarial gain/(loss) for the year on defined benefit pension obligation	18	347	(151)
Total comprehensive income for the financial year		**2,175**	**1,754**

All amounts relate to continuing activities.

STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Housing properties	9	154,820	151,891
Other property, plant & equipment	10	2,621	2,678
		157,441	**154,569**
Current assets			
Investments	11	905	810
Properties for sale	12	-	3,558
Trade and other debtors	13	417	430
Cash & cash equivalent		9,155	3,057
		10,477	**7,855**
Creditors amounts falling due within one year	14	(5,654)	(5,698)
Net current assets		**4,823**	**2,157**
Total assets less current liabilities		**162,264**	**156,726**
Creditors: amounts falling due after more than one year	15	(128,622)	(124,929)
Provisions for liabilities			
Pension provision	18	(215)	(610)
Other provisions	19	(128)	(63)
Total net assets		**33,299**	**31,124**
Reserves			
Revenue reserve		33,299	31,124
Total reserves		**33,299**	**31,124**

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

Pamela Leonce	**Peter Calderbank**	**Gina Amoh**
Chairperson	Chair – Audit & Assurance Committee	Secretary

Date of approval: 29 July 2020

STATEMENT OF CASH FLOW
YEAR ENDED 31 MARCH 2020

	2020 £'000	2019 £'000
Net cash generated from operating activities (see Note 22)	**7,136**	4,289
Cash flow from investing activities		
Addition to other fixed assets	**(162)**	(197)
Addition to PPE	**(3,393)**	(1,796)
Proceeds on disposal PPE	**218**	519
Grants	**449**	562
Interest received	**26**	10
	(2,862)	(902)
Cash flow from financing activities		
New Loans	**5,000**	3,000
Interest paid	**(2,206)**	(2,174)
Loans repaid	**(3,253)**	(3,037)
Issue Premium received	**2,283**	-
Grants repaid	**-**	(1,409)
	1,824	(3,620)
Net change in cash and cash equivalents	**6,098**	(233)
Cash and cash equivalents at beginning of the year	**3,057**	3,290
Cash and cash equivalents at end of the year	**9,155**	3,057

Analysis of debt	**1 April** 2019 £'000	**Cash flow** £'000	**Non cash** £'000	**31 March** 2020 £'000
Cash at bank and in hand	3,057	6,098	-	9,155
Current asset investments	810	-	95	905
Loans				
Short-term loans	(3,169)	279	-	(2,890)
Long-term loans	(55,713)	(2,028)	-	(57,741)
Net Debt	**(55,015)**	**4,349**	**95**	**(50,571)**

STATEMENT OF CHANGES IN EQUITY AND RESERVES
YEAR ENDED 31 MARCH 2020

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2019	-	**31,124**	**31,124**
Total comprehensive income for the year	-	2,175	2,175
Balance at 31 March 2020	-	**33,299**	**33,299**

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2018	-	**29,370**	**29,370**
Total comprehensive income for the year	-	1,754	1,754
Balance at 31 March 2019	-	**31,124**	**31,124**

NOTES ON THE FINANCIAL STATEMENTS

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 3.

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

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board of Management. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Following the recent changes in the external environment especially with the onset of COVID-19, we have carried out several stress tests on the business plan assumptions to measure the impact of changes in these on our loan covenants. Taking the mitigation actions identified into account, the Board is satisfied the plan has sufficient funding and is sufficiently robust to ensure that there will be no financial covenant breaches over the 12months from the date of approval of the financial statements. We have in place cash reserves, a fully secured undrawn revolver credit facility and long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with our day-to-day operations, for the foreseeable future. Our development programme over the next 12months remains uncommitted and 39% of the rental income is funded through direct payments to the Association. 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.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

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.

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

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 £482k (2019: £342k) and the provision for bad debt amount of £272k (2019: £218k) 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.

Useful lives of depreciable assets

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 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2020 was £22.3 million (2019: £20.7 million).

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 2020 was £nil (2019: £nil).

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 2020 was £0m (2019: £3.6m).

Multi-employer pension obligation

Key Sources of Estimation Uncertainty and Judgements

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 2020, a liability of £215k (2019: £610k) for pensions is recorded in the Statement of Financial Position.

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.

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 asset.

Long term leases or virtual freehold assets and offices are written down over the life of the asset up to a maximum of 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:

- 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 and Communities Agency (HCA), 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 HCA.

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 and Communities Agency 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. The Social Housing Pension Scheme (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 30 September 2015.

All staff in the SHPS pension scheme only make contributions into the defined contribution scheme. The annual employer contributions payable is charged to the income and expenditure account.

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.

On transition to FRS 102 the Association elected to determine whether an arrangement existing at the date of transition to FRS 102 contained a lease on the basis of facts and circumstances existing at that date rather than when the arrangement was entered into. The Association also elected to not restate lease incentives where the lease commenced before the date of transition to FRS 102 and has continued to recognise any residual benefit or cost associated with lease incentives on the same basis that applied prior to transition to FRS 102.

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

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

	2020				2019		
	Turnover £'000	Cost of Sales £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 2b)	9,663	-	(5,982)	3,681	9,537	(5,816)	3,721
Other social housing activities							
First tranche shared ownership sales	2,428	(2,210)	-	218	-	-	-
Gain on disposal of housing properties	-	-	-	96	-	-	280
Other	61	-	(231)	(170)	12	(126)	(114)
Total	12,152	(2,210)	(6,213)	3,825	9,549	(5,942)	3,887

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

	Housing Accommodation £'000	Supported Housing £'000	Shared Ownership £'000	Total 2020 £'000	Total 2019 £'000
Income					
Rents receivable net of identifiable service charges	7,687	-	393	8,080	8,036
Service charges receivable	579	-	160	739	667
Water Rates Receivable	24	-	-	24	23
Amortised government grants	775	-	45	820	811
Turnover from social housing lettings	9,065	-	598	9,663	9,537
Operating expenditure					
Service charge costs	517	-	216	733	700
Management	1,133	-	3	1,136	1,159
Routine maintenance	1,329	-	-	1,329	1,354
Major repairs	151	-	-	151	245
Bad debts	-	-	-	-	18
Planned Maintenance	907	-	-	907	495
Depreciation of housing properties	1,665	-	-	1,665	1,707
Loss on disposals and component replacements	40	-	-	40	138
Water rates	21	-	-	21	-
Operating expenditure on social housing lettings	5,763	-	219	5,982	5,816
Operating surplus on social housing lettings	3,302	-	379	3,681	3,721
Rent losses from voids	45	-	-	45	17

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.

	2020 £'000	**2019** £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	**311**	295
Pensions Contribution	**20**	19
Emoluments paid to the highest paid director of the Association excluding pension contributions	**108**	112
Pensions contributions in respect of the highest paid director	**8**	8

During the year to 31 March 2020, 3 (2019: 3) executive directors were remunerated by the Association. 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	**2020 Total** £'000	**2019 Total** £'000
Pamela Leonce (Chair from October 2018)	**8.0**	5.0
Nigel Newman (Resigned October 2019)	**1.2**	1.8
Nisha Makwana	**2.0**	1.8
Puneet Rajput	**3.0**	2.5
Gordon Mattocks	**2.4**	1.8
Peter Calderbank	**3.5**	1.8
John Barr (Appointed June 2019)	**1.7**	-
Katie Wilmot (Appointed June 2019)	**2.0**	-
Peta Caine (Appointed June 2019)	**1.7**	-
	25.5	20.2

4 EMPLOYEE INFORMATION

	2020 Number	2019 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):	20	18
Staff costs during the year:	£'000	£'000
Wages and salaries	912	908
Social security costs	101	101
Pension costs	58	57
	1,071	1,066

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	2020 Number	2019 Number
£60,000 - £70,000	4	3
£70,001 - £80,000	2	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
£100,001 - £110,000	1	1
Total	8	6

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2020 £'000	2019 £'000
Disposal proceeds	219	522
Carrying value of fixed assets	(121)	(226)
Grant amortised	(1)	(13)
Selling cost	(1)	(3)
	96	280

6 INTEREST RECEIVABLE

	2020 £'000	2019 £'000
Bank interest	26	10
Investment income	5	7
	31	17

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £'000	2019 £'000
SHPS pension – interest expense	13	12
Loans and bank overdrafts	2,150	2,154
Cost of raising finance	(45)	(6)
	2,118	2,160
Interest payable capitalised on housing properties under construction	-	(282)
	2,118	1,878
Capitalisation rate used to determine the finance costs capitalised during the period	-	3.69%

8 SURPLUS FOR THE YEAR

Is stated after charging:	2020 £'000	2019 £'000
Auditor's remuneration (excluding VAT):		
in their capacity as auditor	27	23
other services	6	8
Depreciation	1,885	1,879

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 2019	156,666	15,270	-	171,936
Transfer from work in progress	-	1,601	-	1,601
Transfer to work in progress		(172)		(172)
Properties Acquired	-	2,771	-	2,771
Components additions	555	-	-	555
Disposals	(192)	(121)	-	(313)
At 31 March 2020	**157,029**	**19,349**	**-**	**176,378**
Depreciation and impairment				
At 1 April 2019	20,045	-	-	20,045
Charged for year	1,665	-	-	1,665
Disposals	(152)	-	-	(152)
At 31 March 2020	**21,558**	**-**	**-**	**21,558**
Net book value				
At 31 March 2020	**135,471**	**19,349**	**-**	**154,820**
At 31 March 2019	136,621	15,270	-	151,891

During the year we acquired a block of 19 units from another RP at a cost of £2.77 million (2019: £nil). The grant liability of £0.332 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:	**2020 £'000**	**2019** £'000
Amounts capitalised (all relating to components)	**555**	965
Amounts charged to the income and expenditure account	**151**	245
	706	1,210

Carrying amount of secured and unsecured properties	**2020 £'000**	**2019** £'000
Secured properties	**85,660**	76,450
Unsecured properties	**49,676**	60,171
	135,336	136,621

10 OTHER TANGIBLE FIXED ASSETS

	Long Leased Office Premises £'000	Office Furniture And Equipment £'000	Total £'000
Cost			
At 1 April 2019	2,345	980	3,325
Additions	-	162	162
Disposals	-	(86)	(86)
At 31 March 2020	**2,345**	**1,057**	**3,401**
Depreciation			
At 1 April 2019	47	601	647
Charge for year	23	196	219
Disposals	-	(86)	(86)
At 31 March 2020	70	711	780
Net book value			
At 31 March 2020	**2,275**	**346**	**2,621**
At 31 March 2019	**2,299**	**379**	**2,678**

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 2020 the balance including accrued interest was £905k (2019: £810k). Fair value movement of the investment recognised in the Statement of Comprehensive Income is £90k (2019: £26k).

12 PROPERTIES HELD FOR SALE

	2020 £'000	2019 £'000
Shared ownership under construction 1st tranche	-	3,558
	-	3,558

13 TRADE AND OTHER DEBTORS

Amounts receivable within one year:	2020 £'000	2019 £'000
Rent arrears	482	342
Housing benefits in arrears	103	179
Less: provision for bad debts	(272)	(218)
	313	303
Prepayments and accrued income	80	77
Other debtors	24	50
	417	430

14 CREDITORS

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade creditors	163	305
Taxation and social security payable	36	34
Loan repayments (note 17)	2,890	3,169
Loan interest	116	125
Other creditors and accruals	978	797
Recycled Capital Grant Fund (note 20)	72	-
Rent in advance	442	419
Issue premium (30-year bond)	137	38
Deferred grant income (note 16)	820	811
	5,654	5,698

15 CREDITORS

Amounts falling due after more than one year:	**2020 £'000**	2019 £'000
Deferred grant income (note 16)	**67,887**	68,274
Issue Premium (30-year bond)	**3,080**	897
Recycled Capital Grant Fund (note 20)	**310**	374
Housing loans (note 17)	**57,345**	55,384
	128,622	124,929

16 DEFERRED GRANT INCOME

	2020 £'000	2019 £'000
At 1 April	**69,085**	69,355
Grant received in the year	**449**	648
Recycled on disposal	**(8)**	(120)
Released to income in the year	**(820)**	(811)
Released on disposal	**1**	13
At 31 March	**68,707**	69,085
Amounts to be released within one year	**820**	811
Amounts to be released in more than one year	**67,887**	68,274
	68,707	69,085

	2020 £'000	2019 £'000
Government grant previously amortised to income	**12,808**	11,989
Government grant included in deferred income	**68,707**	69,085
Total government grant received	**81,515**	81,074

Previous stock swaps entered into by the Association have resulted in associated grants of £7.62m (2019: £7.29m). These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a contingent liability.

17 HOUSING LOANS

Housing loans from lending institutions are secured by specific charges on the Association's housing properties at rates of interest between 1.02% and 10.34%. They are repayable in instalments due as follows:

	2020 £'000	2019 £'000
In five years or more	**42,601**	40,552
Between two and five years	**9,178**	12,215
Between one and two years	**5,962**	2,946
Loan finance costs	**(396)**	(329)
	57,345	55,384
In one year or less	**2,890**	3,169
	60,235	58,553

18 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 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 Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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

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

For accounting purposes, a valuation of the scheme was carried out with effective date of 30 September 2018. The liability figures from this valuation were rolled forward for the accounting year-ends from 31 March 2019 to 29 February 2010 inclusive. The liabilities are compared, at the relevant accounting date, with the Associations fair share of the scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actual valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Pension scheme liabilities recognised in the Statement of Financial Position

	2020 £'000	2019 £'000
Pension obligations recognised as Defined Benefit schemes	**215**	610
Total pension scheme liabilities	**215**	610

Statement of financial position	2020 (£'000)	2019 (£'000)
Fair value of plan assets	**1,887**	1,886
Present value of funded retirement benefit obligations	**(2,102)**	(2,496)
Net liability	**215**	610

Principal actuarial assumptions at the financial position date:

	2020 %	2019 %
Discount rate	**2.38**	2.30
Inflation (RPI)	**2.63**	3.30
Inflation (CPI)	**1.63**	2.30
Salary growth	**2.63**	3.30
Allowance of commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions applied at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Amounts recognised in the Income Statement	2020 £'000	2019 £'000
Net interest on defined benefit liability	13	12
Expenses paid	4	4
Total expenses	17	16

Amounts recognised in other comprehensive income	2020 £'000	2019 £'000
Experience on plan assets	(92)	11
Experience gains and losses arising on the Plan liabilities	137	2
Effects of changes in assumptions underlying the present value of the Plans' liabilities	282	(157)
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	20	(7)
	347	(151)
Transition Adjustment	-	(147)
Actuarial gain/(loss) recognised	347	(298)

Reconciliation of movements on the defined benefit obligation	2020 £'000	2019 £'000
Defined benefit obligation at the start of the period	2,496	2,287
Expenses	4	4
Interest expense	57	58
Actuarial (gains)/losses due to scheme experience	(137)	(2)
Actuarial (gains)/losses due to changes in demographic assumptions	(20)	(7)
Actuarial losses/(gains) due to changes in financial assumptions	(282)	(157)
Benefits paid	(16)	(15)
Defined benefit obligation at the end of the period	2,102	2,496

Reconciliation of movements on the fair value of plan assets	**2020** £'000	**2019** £'000
Fair value of the Plans' assets at the start of the period	**1,886**	1,783
Interest income	**44**	46
Experience gains/(losses) on plan assets	**(92)**	11
Contributions by the employer	**65**	61
Benefits paid	**(16)**	(15)
Fair value of plan assets at the end of the period	**1,887**	1,886

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

	31-Mar-20 £000s	**31-Mar-19** £000s
Global Equity	**276**	317
Absolute Return	**98**	163
Distressed Opportunities	**36**	34
Credit Relative Value	**52**	35
Alternative Risk Premia	**132**	109
Fund of Hedge Funds	**1**	8
Emerging Markets Debt	**57**	65
Risk Sharing	**64**	57
Insurance-Linked Securities	**58**	54
Property	**42**	42
Infrastructure	**140**	99
Private Debt	**38**	25
Opportunistic Liquid Credit	**46**	-
Corporate Bond Fund	**107**	88
Liquid Credit	**1**	-
Long Lease Property	**33**	28
Secured Income	**72**	68
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**626**	690
Net Current Assets	**8**	4
Total assets	**1,887**	1,886

19 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	Sinking Fund £'000
At 1 April 2019	63
Additions	65
At 31 March 2020	128

20 RECYCLED CAPITAL GRANT FUND

	GLA £'000
At 1 April 2019	374
Inputs to RCGF:	
Recycling of grant	8
New Build	-
Repayment of Grant	
At 31 March 2020	382
Amounts 3 years old or older where repayment may be required	72

21 SHARE CAPITAL

Allotted, issued and fully paid	**2020** £'000	**2019** £'000
At 1 April	**6**	7
New Shares Issued	**-**	1
Shares cancelled during the year	**-**	(2)
As at 31 March	**6**	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.

22 NOTES ON THE CASHFLOW STATEMENT

	2020 £'000	2019 £'000
Surplus for the year	**1,707**	2,052
Depreciation – housing properties	**1,665**	1,707
Depreciation – other tangible fixed assets	**219**	172
Loss on components disposal	**40**	138
Surplus on sale of tangible fixed assets	**(96)**	(280)
Amortisation of government grant	**(820)**	(811)
Change in debtors	**13**	161
Change in creditors	**252**	(633)
Provisions	**65**	5
Pension provision	**(35)**	(57)
Fair value movement	**(90)**	(26)
Change in properties for sale	**2,129**	-
Interest paid	**2,118**	1,878
Interest received	**(31)**	(17)
Net cash generated from operating activities	**7,136**	4,289

23 TAXATION

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

24 UNITS AND BEDSPACES

	2020 Number	2019 Number
Under management at end of year:		
Owned – General needs	**1,216**	1,203
Owned – Temporary housing	**6**	6
Owned – Shared ownership	**100**	95
	1,322	1,304

25 RELATED PARTY TRANSACTIONS

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

	2020 £'000	2019 £'000
Basic salary	**291**	276
Employers national insurance	**36**	35
Pensions contributions	**20**	19
As at 31 March	**347**	330

26 FINANCIAL INSTRUMENTS

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

Interest income and expense	2020 £'000	2019 £'000
Total interest income for financial assets at amortised cost	**25**	10
Total interest income for financial assets at fair value through profit or loss	**6**	7
Total interest expense for financial liabilities at amortised cost	**2,118**	1,878
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	**90**	26

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

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