Registered Society No 16243R

HASTOE HOUSING ASSOCIATION LIMITED

Report and Group Financial Statements

Year ended 31 March 2021

Contents

Board Members, Executive Directors, Advisors and Bankers

Board

Chairman	Ed Buscall
Vice Chairman	Richard Quallington
Other Members	John Bruton (appointed 13 May 2021) Martin Huckerby Lisa Hughes Omadevi Jani (appointed 13 May 2021) Andrew Moore Chris Parsons Julie Pearce-Martin Anne Perkins Robert Rutledge Andrew Wiseman

Executive Directors

Chief Executive	Andrew Potter
Finance Director	William Roberts
Business Development Director	Ulrike Maccariello
Housing Director	Georgina Parkinson
Property Director	Mark Agnew (appointed 14 June 2021)
Secretary	William Roberts

Registered office	Marina House 17 Marina Place Hampton Wick Kingston upon Thames Surrey KT1 4BH	
Registered number	Registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 16243R Registered by the Regulator of Social Housing, No: L0018	
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA	
Solicitors	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ	Stephens Scown LLP Malpas Road Truro Cornwall TR1 1UT
Bankers	Lloyds Bank Plc 17 Heath Road Twickenham Middlesex TW1 4AW	

Strategic Report

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

Principal activities

The following table summarises the companies in the Group ('Hastoe') and their principal activities:

Company	Principal Activity	Legal Status
Hastoe Housing Association Limited ("Hastoe HA")	Provision of homes and services to meet the needs of people who are homeless or poorly housed.	Registered Social Housing Provider
Hastoe Capital plc	Borrowing vehicle, providing funding to Hastoe Housing Association Limited.	Unlisted Public Limited Company
Hastoe Homes Limited	Provision of design and build services to Group companies.	Company Limited by Shares
Sustainable Homes Limited (previously Lowen Homes Limited)	Development and sale of homes on the open market.	Company Limited by Shares
Lowen Homes Limited (previously Sustainable Homes Limited)	Dormant.	Company Limited by Guarantee

On 24 May 2021, Lowen Homes Limited and Sustainable Homes Limited swapped names. The name Sustainable Homes Limited better reflects the Company's aim to build high quality open market homes.

Hastoe HA does not provide any form of guarantee to any of the unregulated companies in the Group. Hastoe HA has provided Sustainable Homes Limited (previously Lowen Homes Limited) with a £24.5m revolving loan facility. The facility attracts a commercial rate of interest and is secured by a floating charge.

Objectives and Strategy

Hastoe is defined by its strong commitment to rural communities and to environmental sustainability. The Board sets and monitors delivery against its strategic ambitions, which are to:

- Build and invest in high quality and energy-efficient homes;
- Provide residents with a quality customer service;
- Be an excellent employer;
- Work with rural communities and influence policy on key issues; and
- Run an effective and efficient organisation.

Hastoe was formed in 1962 and in the early years managed predominately urban homes. From the 1990s onwards, Hastoe's strategy shifted to focus on building in rural communities. As a consequence of this specialism, the Group operates across a wide geographical area. Since its creation, Hastoe has developed a track record of managing and building high quality homes that meet the needs of its many and varied local communities.

Hastoe is committed to building energy efficient new homes and to retrofitting its existing homes. The development programme aims to provide much needed, affordable rural homes, whilst also balancing the Board's aim to strengthen Hastoe's financial resilience.

Hastoe has a long-standing commitment to resident engagement and reviews its services on a regular basis with the aim of improving customer service. Hastoe was an early adopter of the National Housing Federation's (NHF) Charter 'Together with Tenants' that aims to ensure housing associations and their Boards are accountable to residents.

Hastoe has Investors in People (IiP) Gold accreditation. The Board's ambition is to continue to be an excellent employer to enable Hastoe to attract and retain high performing staff.

Operating environment

The Government's principal focus since March 2020 has been its response to COVID-19, with a series of lockdowns limiting business activity and social interactions. Hastoe adapted well to the restrictions and continued to provide its services with only limited disruption to non-essential repairs and the maintenance of its homes. The apparent success of the vaccine rollout led the Government to publish its 'roadmap' of the easing of restrictions, with the main threat to a return to normality being variants of Covid-19 that render the vaccine less effective. Aside from the pandemic, the United Kingdom (UK) left the European Union, with a trade deal, at the end of the transition period in January 2021. The pandemic and Brexit have contributed to delays in the availability of some materials and products in Hastoe's supply chain.

In May 2021, the Bank of England forecast a strong economic recovery from the pandemic, built on the back of higher consumer spending. It expects the UK economy to grow 7.25% this year, the highest rate in more than seventy years and up from the previous forecast of 5% made three months earlier. Andrew Bailey, the Governor of the Bank of England, did temper the forecast by commenting that this level of growth would only return the economy, by the end of this year, to the level of output achieved at the end of 2019 and that, in effect, two years of output growth had been lost.

The higher level of growth forecast has all but eliminated the possibility that the Bank of England will set a negative interest rate in the coming year, with increases in the base rate more likely as a remedy for the consequential rise in inflation. The Consumer Price Index jumped to 2.1% in May 2021 and is expected to remain above the Bank of England target of 2% in the short term before returning to target levels in the medium term.

Due to a combination of economic growth and the extension of government support for jobs, the Bank of England expects that unemployment will peak at 5.5%, which is lower than previous estimates. The support offered by welfare benefits and the furlough scheme has helped maintain Hastoe's tenant and shared owner rent arrears at broadly the same level at March 2021 as they were before the start of the pandemic. At 31 March 2021, the rent arrears of Hastoe tenants and shared owners stood at 2.5% and 1.3% of rent charged, respectively (2020: 2.7% and 1.2%, respectively).

Public sector net debt rose to £2.1 trillion in March 2021, as a result of the slowdown in the economy and government interventions to lessen the impact of the crisis. A decision to address the level of debt by reducing government expenditure could lead to cuts in welfare benefits or the imposition of tighter rent controls on social housing. After four years of rent reductions, from April 2020, it was agreed by the Government that housing associations could raise rents by CPI+1% annually for five years. Hastoe has factored the rent rise into its business plan, whilst being mindful that Government policy can change.

The housing market has been remarkably resilient since its reopening in May 2020. According to the Nationwide, the introduction of a temporary stamp duty holiday contributed to a 7.3% increase in houses prices in 2020, the highest annual increase in six years. Most forecasters expect now expect more modest increases in 2021 and 2022. The Board remains mindful of sales risk and had previously reduced Hastoe's development programme and exposure to open market sales.

The Building Safety Bill was published in July 2021 promising a new safety regime and accountability structure, particularly for higher risk high-rise buildings. The Government has asked the Health & Safety Executive to establish a new building safety regulator to oversee the safe design, construction and occupation of high risk buildings. Hastoe owns three properties over 18 metres tall, none of which are constructed with aluminium composite material.

Social Housing White Paper, published in November 2020, establishes a Charter for Social Housing Residents, which seeks to improve the position of tenants, re-asserting their rights and the obligations of landlords. From 1 September 2020, the Housing Ombudsman was provided with new powers and has set out a clear expectation that housing associations show a commitment to improved complaints handling and greater transparency.

The Planning for the Future White Paper was published in March 2020 proposing significant changes to the planning regime. Reforms include the introduction of Land Zoning, the replacement of the Community Infrastructure Levy and Section 106 in favour of a new 'Infrastructure Levy'. It also commits to implementing the recommendations of the Building Better, Building Beautiful Commission, including a fast track system for beautiful buildings.

Strategic Report

In January 2021, the Government consultation closed on the 'Future Homes Standard'. The Standard mandates low carbon heating and world-leading levels of energy efficiency for all new build homes by 2025. It is designed to be a stepping stone to achieve a target, set in law, to bring all the UK's greenhouse gas emissions to net zero by 2050. Hastoe has been building energy-efficient homes for many years and is now formalising a Hastoe Standard which will illustrate how rural housing associations are already leading the way on standards relating to energy efficiency, quality and design.

The Board will continue to monitor the economic and political indicators and their effect upon investor and consumer confidence. In accordance with any changes, the Board will review the business plan and strategy to determine the appropriate responses.

Risks and uncertainties

Risk assessment

Risks that may prevent the Group achieving its objectives are considered and reviewed regularly by the Board and senior staff as part of the corporate planning and performance management processes. The Board considers the following to be the major risks to successful achievement of its objectives.

Key risk	Description and risk mitigation
Landlord Health & Safety	Failure to meet health & safety responsibilities resulting in injury or death. The Covid-19 crisis has made access to properties and safe working arrangements more challenging. The Board reviews a series of health & safety performance indicators and approves a health & safety policy. The Group employs specialist external consultants to support an experienced staff team. Further assurance is provided by a programme of independent internal audits and compliance tests. Hastoe works with its maintenance contractors to ensure that services are provided as safely as possible.
Rent Controls	Political or economic changes, potentially as a result of the Covid-19 pandemic, result in controls on social rents that are less favourable than the current expectation of increases being capped at the consumer prices index plus 1% for the next four years. The Board reviews the financial plan, and associated stress testing, to gain assurance of the Group's financial viability.
Cost of Fire Safety Remedial Works	The cost of remedial fire safety works, on properties with latent defects, are not recovered from contractors. The Board takes appropriate action, subject to legal advice, to seek remedy from the contractors. The Board has made a provision £3.9m to reflect the fact that Hastoe may need to incur a proportion of the costs.
Customer Service and Repairs Contractor Delivery	The disruption caused by Covid-19, poor performance of repair contractors and delays in resolving customers' issues, results in a low level of customer satisfaction. Hastoe has invested in its housing management system and digital services and also plans changes to improve the performance of its telephone contact centre. The creation of a new Property Services Director role is designed to ensure that additional focus and skills are placed in improving the repairs service. The Board has approved a customer service strategy with stretching targets to improve the customer experience.

Strategic Report

Financial review

Income and Expenditure

The following table provides a summary of the Group's results and associated financial indicators over the last five years:

For the year ended 31 March	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Total Turnover	**31,598**	**34,072**	**32,754**	**34,331**	**34,057**
Income from social housing lettings	29,356	28,597	28,402	28,355	27,936
Surplus on first tranche and open market property sales	153	510	371	1,340	1,058
Gain on disposal of properties	1,166	1,026	1,685	3,763	3,397
Operating Surplus	**14,415**	**12,472**	**14,061**	**18,197**	**18,268**
Net interest costs	(11,328)	(10,996)	(11,296)	(10,589)	(10,840)
Surplus Before Tax	**3,087**	**1,476**	**2,861**	**6,658**	**8,097**

Operating Margin	**46%**	**37%**	**43%**	**53%**	**54%**
Operating margin on social housing lettings	45%	38%	44%	47%	49%
Interest Cover*	**1.6**	**1.5**	**1.6**	**2.0**	**1.9**
EBITDA MRI Interest Cover**	**1.2**	**1.3**	**1.1**	**1.4**	**1.4**

** Operating surplus before property depreciation and grant amortisation divided by interest payable (excluding capitalised interest) less interest receivable.*
*** Earnings Before Interest Tax Depreciation and Amortisation, with capitalised Major Repair costs Included (excluding gains on disposal of properties).*

The Group generated a surplus for the year of £3.1m (2020: £1.5m) at an operating margin of 46% (2020: 37%). The improvement in the surplus is due to rent inflation and lower maintenance costs, the latter being influenced by lockdown restrictions during the year.

The lockdown restrictions also contributed to a slowing of the development programme and consequently a lower level of first tranche sales than anticipated. Turnover from first tranche and open market property sales was £0.7m (2020: £3.3m) and generated a margin of 22% (2020: 15%).

The balance sheet includes a provision of £3.9m for a constructive obligation to undertake fire safety remedial works on a number of low-rise blocks of flats. The properties are still in their latent defects period and Hastoe is in the process of seeking remedy from the contractors. The provision reflects the fact that Hastoe may need to incur a proportion of the costs. The level of EBITDA MRI interest cover of 1.2 times has been suppressed by the £3.9m provision. Excluding the impact of the provision for fire safety works, and associated impairment, the EBITDA MRI cover was 1.4 times for the year (2020: 1.3 times).

The operating margin returned to above 40%, having been temporarily suppressed by the sale of a plot of land, at a breakeven value, in the previous financial year. The sale of the land was driven by the Board's decision to reduce the Group's exposure to open market sales.

The increase in the turnover from social housing lettings to £29.4m (2020: £28.6m) was due to inflation linked rent increases, with very little contribution from newly built homes, as a consequence of the low levels of development activity in the last two years. Operating costs on social housing lettings fell by 8% in the year, due to the impact of £0.9m charge relating to a provision for fire safety works in the previous year and a reduction in both routine maintenance costs and the rent arrears provision in the current year. Routine maintenance costs were lower in part due to lockdown restrictions but also due to one-off costs incurred in the previous year. Concerns over the impact of Covid-19 on rent arrears led to an increase in the rent arrears provision in year ended 31 March 2020. As it has transpired, the level of rent arrears has remained stable and as a result the provision has been reduced. As a result of the above, the operating margin on social housing lettings, has risen to 45% (2020: 38%).

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Statement of Financial Position

The following table summarises the Group Balance Sheet and associated financial indicators over the last five years:

For the year ended 31 March	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fixed assets at cost or valuation	422,449	417,037	417,660	410,829	400,933
Net current assets / (liabilities)	6,799	12,651	17,635	(2,588)	4,599
Total assets less current liabilities	**429,248**	**429,688**	**435,295**	**408,241**	**405,532**
Creditors and provisions - over one year	366,851	368,839	378,411	352,421	356,370
Revenue reserve	62,397	60,849	56,884	55,820	49,162
	429,248	**429,688**	**435,295**	**408,241**	**405,532**

Net Debt* : total assets less current liabilities	49%	50%	50%	53%	52%
Debt ** per unit owned	£31,247	£31,955	£32,757	£30,556	£30,863
Debt *** : revenue	7.3	6.9	7.3	6.5	6.6
Liquidity ****	1.4	1.9	2.2	0.8	1.4
Total units owned and managed	**7,681**	**7,669**	**7,630**	**7,595**	**7,511**

** Outstanding principle amount less cash*
*** Outstanding principle amount*
**** Debt and related amounts*
***** Current assets divided by current liabilities*

Completed properties are carried in the balance sheet at a net book value of £404m (2020: £403m). The Group has grown rapidly over the last fifteen years, through new build development. This has been funded by increased borrowings, grant and the investment of Hastoe's reserves.

Gearing levels have remained relatively stable over the last five years, although the sale of £25m of retained bonds in January 2019 led to an increase in the measures that exclude cash holdings. Scheduled loan repayments of £5m were made in the year, reducing the Group's drawn debt to £230m (2020: £235m). The increase in the debt to revenue measure of gearing in the current financial year is due to a lower level of revenue, as a consequence of the reduction in first tranche sales income.

Pension costs

The Group participates in the Social Housing Pension Scheme (SHPS). In 2013, the Group closed its SHPS final salary scheme, thus eliminating any uncertainty arising from future service pension liabilities, although the liability for past service remains. A formal valuation of the SHPS was performed at 30 September 2020 and the results are shown in note 23. A SHPS defined contribution scheme remains available to existing and new members of staff.

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Treasury management

The Group treasury policy is approved annually by the Board. In managing its treasury operations the Group's strategic aim is to minimise the cost of funds at an acceptable level of risk and ensure the effective and efficient use of financial resources.

At the year end, the Group had committed debt funding of £268m. Available liquid resources of £56m (cash holdings of £18m and undrawn loan facilities of £38m) are sufficient to meet the Group's committed expenditure. The Group's drawn debt has limited refinancing risk with less than 15% of the Group's debt maturing within the next ten years. The undrawn loan facility of £38m is committed until 2025. At the year end, Hastoe Capital plc held £50m of retained bonds.

The Group borrows at both fixed and floating rates of interest. At the year end, 97% of debt was fixed rate and 3% floating rate. The Group has not entered into any stand-alone swap agreements.

The Group's treasury policy sets out prudent criteria for counterparties from which it borrows, enters into other financial arrangements or deposit funds. The Group borrows and lends only in sterling and so is not exposed to currency risk.

Loan covenants are based on interest cover, gearing ratios and asset cover. The Board has put in place a number of 'golden rules' that provide a risk buffer to protect covenant compliance. Covenants are monitored regularly, by the Executive Team and Board, and were met throughout the year for all loan facilities and the bond.

The Group has an A3 credit rating, with a stable outlook, provided by Moody's Investor Service.

Cash inflows and outflows during the period are shown in the consolidated cash flow statement on page 31.

Development

The Board decided in 2019 that, after a period of sustained growth, Hastoe should consolidate its financial position and limit its development ambitions for the foreseeable future. The Board also considered that changes in the external environment meant that the balance of risks had changed to the extent that the Group's exposure to open market sales should be limited to a small number of sales on rural exception sites or similar. As a result, the Group sold one of its two open market led sites and decided to convert the other to an entirely affordable scheme.

The core of the Group's development programme remains rural exception sites, although this will be supplemented by small number of homes purchased direct from developers, as part of section 106 obligations, provided they meet Hastoe's quality standards.

There has been continued strong demand for the homes that the Group has built and at the year end there were five unsold homes in stock, only one of which had been available for sale for more than 30 days.

Cash spent on new homes amounted to £5.5m during the period, financed through existing cash balances, grants and operating cash generated. The volume of starts on site and completions in the year were lower than targeted, with the delays being mainly attributable to the impact of Covid-19.

Performance indicator	2020/21 actual units	2020/21 target units	2019/20 actual units
New Homes - starts on site	61	89	18
New Homes – completed	20	33	48
Sales – shared ownership first tranche	4	14	14
Sales – open market sales	1	1	2

Strategic Report

Value for Money

Hastoe's commitment to value for money is driven by an awareness of the responsibility to use its assets and resources wisely, to protect its long-term future and to manage and build high quality, energy efficient homes, that meet the needs of its many and varied local communities.

The Board uses the measures, and associated targets, set out in the table below as part of its assessment of the Group's achievement of value for money.

	2020/21 outturn	2019/20 outturn	VFM Target	VFM Target Met	Top quartile	Median
Reinvestment	2.6%	1.4%	> =6.5%	✘	10.0%[1]	7.2%[1]
New Supply Deliver - Social	0.4%	0.9%	>= 0.6%	✘	2.4% [1]	1.5%[1]
New Supply Delivered - Non-Social	0%	0%	>= 0.0%	✓	0.15%[1]	0%[1]
Gearing	53.1%	55.0%	<= 52%	✘	54.7%[1]	44.0%[1]
Debt : Revenue	7.3	6.9	<= 7.2	✘	-	3.5[2]
EBITDA MRI Interest Cover	119%	131%	>= 129%	✓	227%[1]	170%[1]
Social Housing Interest Cover	114%	98%	>= 115%	✘	-	142%[2]
Operating Margin *	42%	34%	>= 41%	✓	28.6%[1]	23.1%[1]
Net Margin *	6.1%	1.3%	>= 7%	✘	-	13.8%[2]
Return on Capital Employed (ROCE)	3.4%	2.9%	>= 3.3%	✓	4.4%[1]	3.4%[1]

1 Regulator of Social Housing: Value for Money Metrics and Reporting 2020.
2 Regulator of Social Housing: 2020 Global Accounts
* Excluding the gains from the disposal of properties

Hastoe does not distribute dividends to shareholders. The surplus made each year is reinvested in existing homes or used to build new homes. The level of reinvestment, funded by the surplus, debt and grant, was equivalent to 2.6% of the cost of the Group's existing assets. This was well below the median rate for the sector, primarily due to the relatively high historic cost of Hastoe's properties – a product of building a high proportion of its homes in recent years. Another factor is that the last two years have seen a reduction in the level of expenditure, as compared to previous years, on both new build homes and capitalised repairs on existing homes (excluding the £3.9m provision for fire safety works not yet undertaken). This lower level of spend has translated into a fall the level of growth in the number of new social homes completed in the year to 0.4% (20 homes) from 0.9% (48 homes) and was below the target set of 0.6%.

Hastoe has built a significant portion of its social housing over the last fifteen years and, as a result, accumulated comparatively high debt levels. Lower levels of social housing grant, than have been available historically, mean that the Group has to borrow more for each new home it builds. The result is relatively low interest cover ratios and relatively high gearing ratios. The Group's ratio of debt to revenue was 7.3 times at 31 March 2021. This is significantly higher than average for social housing providers at 31 March 2020 of 3.5 times[2].

The ability to meet the interest costs, as measured by EBITDA MRI interest cover, fell to 119% in 2020/21 (2019/20: 131%), as a result of the inclusion of the £3.9m provision for fire safety works. The ratio remains significantly lower than the median for the sector of 170%[1], due to Hastoe's comparatively high level of debt.

The Board also monitors social housing interest cover, as a measure of the ability of its lower risk activities to cover interest costs. This measure increased in the year to 114% (2020: 98%) and was only marginally lower than the target set by the Board.

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The Group's ability to service higher levels of debt is reliant upon being efficient and maintaining a tight control of operating costs, as demonstrated by its high operating margins. The Group's operating margin (excluding the gains from the disposal of properties) of 41.9% compares favourably with the upper quartile performance in the housing sector of 28.6%[1].

The net margin of 6.1% (2020: 1.3%) rose in the year, having being suppressed in the previous year by £0.9m charge for a provision for fire safety works, but remained below the 7% target set by the Board.

Return on Capital Employed (ROCE) measures the efficiency of the use of capital resources and is derived from dividing the operating surplus by total assets less current liabilities, then expressed as a percentage. The Group's ROCE rose to 3.4% (2020: 2.9%) as a result of the increase in the operating surplus achieved in the year. The median ROCE for the social housing sector was 3.4% in 2019/20. The Group's operating margin was top quartile but the ROCE was lowered due to the relative newness of Hastoe's social housing. Around half the Group's social housing has been built in the last twenty years and therefore has a relatively high cost.

The combination of relatively high levels of debt and high operating margins has meant that the Group has been effective in maximising its borrowing capacity to deliver against its ambitions. The Board still wishes to meet housing need by building new high quality social housing. However, for the foreseeable future, development will be at more modest levels, whilst Hastoe looks to increase its financial resilience. The Board has targeted to increase the amount of Hastoe's social housing by an average of 2% per year (1.5% - median rate for the sector[1]) over the next three years, whilst increasing the net margin (excluding the gains from the disposal of properties) to 9% by 2023/24.

Return on Assets

The Group appraises the returns of its assets, along with their strategic fit. Informed decisions are then made about whether stock should be retained, refurbished, converted to a different tenure or sold.

Hastoe's build costs are comparatively high, due to its focus on high quality and sustainability standards. Fuel poverty is higher in rural areas than in urban areas, particularly in rural areas off mains gas supply. In addition, rural build sites are often small scale and require extra design specifications to blend in with their surroundings. These higher costs are offset by lower land costs – on exception sites the value is at an enhanced agricultural value rather than full residential values seen within development boundaries. Effective procurement ensures that build costs are minimised.

In line with the Group's strategic ambition, Hastoe builds its new properties to high environmental standards. This year saw the launch of the 'Hastoe New Build Standard', which demonstrates how quality affordable housing can be built within a constrained budget. The 'Standard' contains eight elements including energy efficiency, beautiful design, quality control and environmental impact.

The outcome of a review by the Board of the Asset Management Strategy was the decision to explore options to dispose of Hastoe's small portfolio of tower blocks. These properties do not reflect Hastoe's rural specialism and the increasing regulation of these properties may mean that they can be more efficiently managed by other housing providers with a greater proportion of similar buildings.

In 2020, the Board reviewed the level of investment required to maintain the Group's housing stock. The data, assumptions and lifecycles had been independently verified by a third-party consultancy. The Board decided to increase investment to further enhance the quality of the Group's homes. This increased investment has been reflected within the Group's long term financial plan.

Service Performance and Costs

The key operational indicators used by the Board and executive management to monitor achievement of the Group's objectives are set out below. The Board agrees targets each year that are designed to manage performance and deliver continuous service improvement. Where a benchmark is available, Hastoe was in the top quartile for half of its key performance indicators.

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Performance indicator	2020/21 outturn	2020/21 target	Benchmark (where available)	2019/20 outturn
Customers satisfied with the way their call was dealt with	62%	70%	93%[1]	62%
On-line transactions	41%	20%	-	16%
Satisfaction with last repair	77%	85%	92% [1]	77%
Urgent repairs completed on time	87%	90%	-	95%
Re-let times (excluding major works)	62 days	-	17 days [1]	21 days
New let times	0 days	2 days	-	0 days
Current tenant rent arrears – general needs properties	2.5%	3.1%	2.6% [1]	2.7%
Current rent arrears – shared owners	1.3%	1.9%	-	1.2%
Void losses	0.9%	0.5%	0.6% [1]	0.6%
Gas safety compliance	100%	100%	100%	100%
Homes meeting the Decent Homes Standard	100%	100%	-	100%

1 Housemark all traditional housing associations benchmarking 2019/20 – top quartile

Service performance was significantly impacted by lockdown restrictions, with emergency only services being offered in the first part of the year. The benchmark data used is from 2019/20 and so reflects outcomes before the Covid-19 pandemic took effect.

The reduced capacity in Hastoe's call centre, due to lockdown restrictions and staff absence, combined with improved digital services resulted in a large increase in the proportion of on-line transactions. The increase in call waiting times and limited repairs service meant that Hastoe was unable to deliver the targeted improvement in call handling satisfaction.

Satisfaction with repairs has remained below target and in the lower quartile for the sector. This may be influenced by the fact that Hastoe conducts its own surveys rather than relying upon data provided by its contractors. Hastoe has continued to work with its contractors to deliver improvements to this service, with regular reports on progress being monitored by the Board.

Re-lets times increased markedly in the year, due to the various limitations of lockdown. However, there was also a deterioration in performance in 2019/20, after a number of years where performance was in in the top quartile for the sector. There will be a focus in the coming year to streamline processes and reduce re-let times.

The Group's arrears performance improved slightly in the year to 2.5%, which remains in the top quartile of the sector. Around 25% (2020: 15%) of Hastoe's social tenants were in receipt of Universal Credit at 31 March 2021 and these tenants had average arrears of 4.3% (2020: 6.0%). Hastoe continues to support its tenants by offering welfare benefit advice, as well as working closely with a number of citizens' advice bureaux and similar organisations.

Where applicable, all Hastoe's homes met the Decent Homes Standard, had a valid fire risk assessment and an up to date gas safety certificate at 31 March 2021 and 31 March 2020.

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Social housing margin and costs	2020/21 outturn	2019/20 outturn	Top Quartile	Median
Social housing lettings operating margin	44.8%	38.5%	29.5%[1]	23.6%[1]
Social housing cost per unit	£3,178	£2,522	£3,377[1]	£4,023[1]
Management cost per unit	£622	£619	£844[1]	£1,080[1]
Maintenance cost per unit (including capitalised repairs)	£2,138	£1,486	£1,344[1]	£1,830[1]
Service charge cost per unit	£218	£218	£211[1]	£397[1]

1. Housemark: Sector scorecard analysis report 2020

The Group's social housing operating cost per unit and margin compares favourably with the top quartile for the sector[1], driven by a low management cost per unit and, in the last two years, a reduced spend on capitalised major repairs. Although, as previously described, capitalised repairs in 2020/21 are inflated by the £3.9m provision for fire safety works not yet undertaken. Excluding the provision, the social housing cost per unit and maintenance cost per unit were £2,405 and £1,366, respectively.

The Group's management model provides an efficient and effective response to the dispersed nature of its stock. Over the long term it is forecast that Hastoe's maintenance costs will be around the sector median.

Value for Money Plans

The Board's corporate plan is underpinned by the following set of VFM targets for the next three years:

	2021/22	2022/23	2023/24
EBITDA MRI* interest cover	129%	135%	145%
Social housing interest cover	110%	113%	120%
Operating margin **	38%	39%	39%
Operating margin on social housing lettings	41%	41%	43%
Net margin **	5%	8%	9%
Gearing	52%	53%	53%
Gearing (debt / revenue)	6.8	7.1	6.5
New supply delivered (social housing)	1.5%	2.2%	2.2%
New supply delivered (non-social housing)	0%	0%	0%
Reinvestment	7.3%	8.1%	5.6%
Return on Capital Employed	3.2%	3.1%	3.2%

* Earnings before interest, tax, depreciation and amortisation, with capitalised major repairs costs included.
** Excluding the gains from the disposal of properties

The aim is to increase Hastoe's financial resilience whilst:

- Continuing to build high quality social housing for rural communities by starting on site with 143 homes by March 2022 (98 starts on site 2023, 96 starts on site 2024).
- Achieving customer satisfaction of 75% by December 2022.
- Maintaining the percentage of on-line customer contact, that increased due to Coronavirus related service restrictions, at 40% for the year ending 31 March 2022.
- Achieving satisfaction with the last responsive repair of 80% by March 2022.
- Attaining staff satisfaction of 85% by March 2022.

Achieving VFM is an ongoing process and the Board recognises its responsibility to drive continuous improvement in the use of the Group's assets and resources. This approach to VFM will enable Hastoe to maximise its potential to provide its customers with high quality homes and services.

Strategic Report

The Board

The Board members are drawn from a wide background, bringing together professional and commercial experience. The Board delegates certain governance responsibilities to Group committees, which have their own approved terms of reference. Day-to-day performance management is delegated to the executive directors.

The Group Committees that supported the Board and governance arrangements during the year were:

Audit & Risk Committee – responsible for assessing the effectiveness of internal controls and, where required, gaining assurance that appropriate remedial actions are taken, as well as ensuring that a risk management framework is in place that clearly defines responsibilities for the identification, evaluation and control of significant risks.

Remuneration & Nomination Committee – responsible for advising on the selection, remuneration, succession planning and performance of non-executive directors, as well as the recruitment of the chief executive and the remuneration of the executive directors.

Attendance at Board and Committee meetings for the year ended 31 March 2021 was as follows, with the number of meetings that the board member was expected to attend shown in brackets.

	Group Board	Audit & Risk Committee	Remuneration & Nomination Committee
Ed Buscall	8 (8)	-	4 (4)
Martin Huckerby	8 (8)	3 (3)	-
Lisa Hughes	7 (8)	3 (3)	-
Andy Moore	7 (8)	-	4 (4)
Julie Pearce-Martin	8 (8)	-	-
Chris Parsons	8 (8)	-	-
Anne Perkins	8 (8)	-	4 (4)
Richard Quallington	8 (8)	-	4 (4)
Robert Rutledge	8 (8)	3 (3)	-
Andrew Wiseman	7 (8)	1 (3)	-

At least every three years, the Board undertakes a formal review of governance effectiveness. The next review is due 2022.

The emoluments of the Board members serving in the year were as follows:

	2021	**2020**
	£	**£**
Ed Buscall	11,750	11,750
Martin Huckerby	7,000	7,000
Lisa Hughes	5,610	5,610
Andy Moore	4,750	4,750
Julie Pearce-Martin *	4,750	3,701
Chris Parsons *	4,750	1,904
Anne Perkins *	4,750	1,904
Richard Quallington	7,000	7,000
Robert Rutledge	5,610	5,610
Andrew Wiseman	5,610	5,610
	61,580	54,839

* appointed during 2019/20.

Strategic Report

Board member emoluments are subject to a triennial review. The emoluments are in line with NHF guidance for associations with a turnover between £25m and £50m.

Insurance policies indemnify Board members and officers against liability when acting for the Group.

The Association complies with the recommendations of the NHF Code of Governance (2015 edition). The NHF produced a revised Code of Governance in December 2020. Due to the number and scale of the revisions, the Board plans to fully evaluate this Code, and others, before deciding upon the most appropriate for Hastoe to adopt.

Executive Directors

The Group's executive directors, including the chief executive, that have served in the year are set out on page 2. The emoluments of the chief executive and Group's other executive directors are disclosed in note 10. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

Service contracts

The executive directors are employed on the same terms as other staff. Their notice periods are six months.

Pensions

Executive directors are eligible to become members of the SHPS defined contribution scheme. The executive directors participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

Other benefits

The executive directors are entitled to other benefits, such as the provision of a car allowance.

Board Report

Internal Controls

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2020 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for the Audit & Risk Committee and the Remuneration & Nomination Committee;
- Clearly defined responsibilities for the identification, evaluation and control of significant risks;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts;
- Formal recruitment, retention, training and development policies for all staff and Board members;
- Authorisation and appraisal procedures for all significant new initiatives and commitments;
- A sophisticated approach to treasury management, supported, as required, by treasury advisors;
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board-approved whistleblowing, anti-bribery, anti-theft and anti-money laundering policies; and
- A policy on fraud, covering prevention, detection and reporting of fraud and recovery of assets; and review of the fraud register and consideration of the information therein.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to review regularly the effectiveness of the system of internal control. The Board receives reports from the Audit & Risk Committee.

The Audit & Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Association and its subsidiaries, and the annual report of the internal auditor, and has reported its findings to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year to 31 March 2021 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

Other Matters

Regulation

Hastoe is registered with and regulated by the Regulator of Social Housing (RSH). The RSH periodically assesses Hastoe against the regulatory framework. The latest review by the RSH, in December 2020, considered that Hastoe had achieved the highest possible rating for both governance (G1) and financial viability (V1).

The Governance standard states that governance arrangements shall ensure registered providers comply with their governing documents and all regulatory requirements. The Board undertakes an annual self-assessment of compliance with the regulatory framework. The Board has concluded that it has reasonable assurance that it complies with the Governance and Financial Viability Standard.

Board Report

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual general meeting

The annual general meeting will be held on 16 September 2021 at, Marina House, 17 Marina Place, Hampton Wick, Surrey KT1 4BH.

External auditors

The Group's Audit & Risk Committee has agreed a protocol which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

A resolution to re-appoint BDO LLP as auditors of the Association will be proposed at the Annual General Meeting.

Disclosure of information to the auditors

The Board Members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware, and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

The report of the Board was approved by the Board on 16 July 2021 and signed on its behalf by:

Ed Buscall
Chairman

Statement of Responsibilities of the Board

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HASTOE HOUSING ASSOCIATION LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Hastoe Housing Association Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the board on 7 February 2019 to audit the financial statements for the year ending 31 March 2019 and 1 March 2020. The board approved a one year extension on 17 September 2020 covering the year ending 31 March 2021.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

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

In an uncertain economic environment, where the full impact of Covid-19 and Brexit remains unknown, forecasting future cash flows with any degree of certainty will be challenging.

The wider impact is expected to stretch the group's financial resources. This includes:

- Rising rental arrears
- Reduced property development
- Potential impairment charges
- Costs such as interest and security hitting the I&E for sites that have been paused
- Changes to timing of cash outflows as development is paused and an emergency only repairs service is introduced.

Whilst there is a reduction in the level of the operational uncertainties since the Covid-19 pandemic began and previous reviews by management have indicated significant headroom on both covenant compliance and liquidity, there is a heightened risk of default due to the potential for a cross default due to the structure of loans and covenants contained within the agreements.

We have spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such, this has been identified as a Key Audit Matter.

Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that Covid-19 might have on these projections.
- Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2023 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic and post Brexit transition. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and Brexit and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations.

We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

<table>
<tr><td>Coverage[1]</td><td>A full scope statutory audit was carried out for each subsidiary of the Group.</td></tr>
<tr><td>Key audit matters</td><td><table><tr><td></td><td>2021</td><td>2020</td></tr><tr><td>The preparation of the accounts on a going concern basis is not appropriate</td><td>□□□</td><td>□</td></tr><tr><td>Provisions for remedial fire safety works</td><td>□□□</td><td>□</td></tr></table></td></tr>
</table>

[1] These are areas which have been subject to a full scope audit by the group engagement team

	Net realisable value of property developed for sale | □□□ | □ Net realisable value of property developed for sale is no longer considered to be a key audit matter due to the value of the property developed for sale at 31 March 2021 no longer being considered to be significant.
Materiality	*Group financial statements as a whole* £1.3m (2020:£6.6m) based on 7.5% of adjusted operating surplus as defined by the entities lending covenants (2020: 1.5% of total assets).

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group. Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified two components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Hastoe Capital Plc was identified as a significant component due to its risk characteristics and Hastoe Housing Association Limited due to its size.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Provisions for remedial fire safety works As described in the risks and uncertainties section of the Strategic report, this risk may prevent the Group achieving its objectives and is considered	Fire risk assessments have identified works that are required to be performed on certain schemes. Management have included provisions for these future works in this year's accounts. The entity shall recognise the provision as a liability in the statement of financial position and shall recognise the amount of the provision as an expense, unless another section of this FRS requires the cost to be	Having obtained management's assessment of the provision, we recalculated the provision by checking the mathematical accuracy of the schedule and agreeing the assumptions set out below. There are a number of significant judgments and estimates in calculating the provision. We have challenged management on these assumptions such as whether a constructive obligation exists at year end, whether there is a reasonable alternative to the remedial works and whether the entity is transferring economic benefits in settling that obligation.

and reviewed regularly by the Board and senior staff as part of the corporate planning and performance management processes. The Board takes appropriate action, subject to legal advice, to recover the costs of the works and other associated costs. The accounting policy is disclosed in note 2, and the provision in note 24.	recognised as part of the cost of an asset such as inventories or property, plant and equipment The obligation must be such that the entity has no realistic alternative to settling the obligation. This can happen when the entity has a legal obligation that can be enforced by law or when the entity has a constructive obligation because the past event (which may be an action of the entity) has created valid expectations in other parties that the entity will discharge the obligation. Obligations that will arise from the entity's future actions (i.e. the future conduct of its business) do not satisfy the condition, no matter how likely they are to occur and even if they are contractual. We have spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such, this has been identified as a Key Audit Matter.	We have challenged the likelihood and quantum of estimated total costs to be incurred and whether the entity will receive any reimbursement on settlement of the obligation. The works required were communicated to the residents in 2019, together with confirmation that Hastoe would undertake them. It is management's judgment that this meets the definition of a constructive obligation. We challenged management whether there were any realistic alternatives to settling this obligation. We have benchmarked the estimated build costs used in Depreciated Replacement Cost calculations to confirm they are appropriate. We have verified the probability of the Association incurring the costs by reviewing advice from an external legal team. **Key observations:** Based on the evidence obtained we did not identify any indications that the assessments of the provision made by management were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		**Parent Association financial statements**	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	1.3	6.6	1.3	6.6
Basis for determining materiality	Adjusted operating surplus as defined by the entities lending covenants. In the prior year materiality was calculated based on total assets.			
Rationale for the benchmark applied	For the current year we have used 7.5% of adjusted operating surplus as the basis of materiality. The adjustments to operating surplus are to add back depreciation, amortisation and grants received are deducted which is in line with the strictest loan covenant definition. We have used this			

	benchmark as we considered this the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions. In the prior year we used 1.5% of total assets as we considered this to be the area of financial statements with the greatest interest to the principle users.			
Performance materiality	0.9	0.9	0.9	0.9
Basis for determining performance materiality	We have set performance materiality at 70% (2020: 70%)			

Specific materiality

In the prior year, we also determined that a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 7.5% of adjusted operating surplus. We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

C*omponent materiality*

A full scope statutory audit was carried out for each subsidiary. We set materiality for each component dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £460 to £160k. In the audit of each component, we further applied performance materiality levels of 74% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £63k (2020:£46k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report and Board report 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 we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or

- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 18, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the 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 Group or 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.

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

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

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

In addition the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, reviewing correspondence with HMRC and the other regulators;
- Reviewing items included in the fraud and theft database;
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, privileged users or with unusual account combinations;
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the following:
    - Whether indicators of impairment exist
    - Recoverable amount of housing properties

- Whether the tests for recognising provisions are met
- Capitalisation of development costs
- Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches
- UELs of housing property components
- Assumptions used in pension and investment property valuations
- Depreciated replacement cost of properties with impairment indicators
- Measurement of provisions

- We also performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
[*Address*]
[*Date*]

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 £ '000	2020 £ '000
Turnover	3	31,598	34,072
Cost of sales	3	(545)	(2,821)
Operating expenditure	3	(17,804)	(19,805)
Gain on disposal of properties	3, 6	1,166	1,026
Operating surplus	3, 5	14,415	12,472
Interest receivable	7	38	169
Interest payable and financing costs	8	(11,366)	(11,165)
Surplus before taxation		3,087	1,476
Tax on surplus	11	604	-
Surplus for the financial year		3,691	1,476
Actuarial (loss) / gain in respect of pension schemes		(2,143)	2,489
Total Comprehensive Income		1,548	3,965

All of the Group's activities relate to continuing operations.

Association Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 £ '000	2020 £ '000
Turnover	3	31,746	32,623
Cost of sales	3	(312)	(1,007)
Operating expenditure	3	(18,174)	(20,141)
Gain on disposal of properties	3, 6	1,166	1,026
Operating surplus	3, 5	14,426	12,501
Interest receivable	7	180	364
Interest payable and financing costs	8	(11,370)	(11,176)
Gift Aid		23	46
Surplus before taxation		3,259	1,735
Tax on surplus	11	604	-
Surplus for the financial year		3,863	1,735
Actuarial (loss) / gain in respect of pension schemes		(2,143)	2,489
Total Comprehensive Income		1,720	4,224

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2021

	Income and expenditure £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2020	60,542	307	60,849
Total Comprehensive income	1,548	-	1,548
Transfer from revaluation reserve to income and expenditure reserve	-	-	-
Balance at 31 March 2021	62,090	307	62,397

For the year ended 31 March 2020

	Income and expenditure £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2019	56,544	340	56,884
Total Comprehensive income	3,965	-	3,965
Transfer from revaluation reserve to income and expenditure reserve	33	(33)	-
Balance at 31 March 2020	60,542	307	60,849

Association Statement of Changes in Reserves

For the year ended 31 March 2021

	Income and expenditure reserve £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2020	64,761	307	65,068
Total Comprehensive income	1,720	-	1,720
Transfer from revaluation reserve to income and expenditure reserve	-	-	-
Balance at 31 March 2021	66,481	307	66,788

For the year ended 31 March 2020

	Income and expenditure reserve £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2019 restated	60,504	340	60,844
Total Comprehensive income	4,224	-	4,224
Transfer from revaluation reserve to income and expenditure reserve	33	(33)	-
Balance at 31 March 2020	64,761	307	65,068

Consolidated Statement of Financial Position

At 31 March 2021

	Note	2021 £ '000	2020 £ '000
Fixed assets			
Housing properties	12	414,266	408,697
Investment properties	13	4,253	4,253
Other tangible fixed assets	14	3,930	4,087
		422,449	417,037
Current assets			
Stock	16	1,972	3,413
Debtors	17	2,852	2,508
Short term investments		8,300	8,700
Cash and cash equivalents		12,116	12,459
		25,240	27,080
Creditors: Amounts falling due within one year	18	(14,556)	(13,528)
Provision for liabilities and charges	24	(3,885)	(901)
Net current assets / (liabilities)		6,799	12,651
Total assets less current liabilities		429,248	429,688
Creditors: Amounts falling due after more than one year	19	(363,466)	(367,141)
Pension liability	23	(3,385)	(1,698)
Net assets		62,397	60,849
Capital and reserves			
Non-equity share capital	25	-	-
Revenue reserve		62,397	60,849
Consolidated funds		62,397	60,849

The financial statements were approved by the Board on 16 July 2021 and signed on its behalf by:

E Buscall Chairman	M Huckerby Board member	W Roberts Secretary

Association Statement of Financial Position

At 31 March 2021

	Note	2021 £ '000	2020 £ '000
Fixed assets			
Housing properties	12	414,306	410,507
Investment properties	13	4,253	4,253
Other tangible fixed assets	14	3,891	4,042
Investments	15	550	550
		423,000	419,352
Current assets			
Stock	16	1,615	691
Debtors	17	6,863	6,865
Short term investments		8,300	8,700
Cash and cash equivalents		11,995	12,275
		28,773	28,531
Creditors: Amounts falling due within one year	18	(14,249)	(13,075)
Provision for liabilities and charges	24	(3,885)	(901)
Net current assets		10,639	14,555
Total assets less current liabilities		433,639	433,907
Creditors: Amounts falling due after more than one year	19	(363,466)	(367,141)
Pension liability	23	(3,385)	(1,698)
Net Assets		66,788	65,068
Capital and reserves			
Non-equity share capital	25	-	-
Revenue reserve		66,788	65,068
Association's funds		66,788	65,068

The financial statements were approved by the Board on 16 July 2021 and signed on its behalf by:

E Buscall Chairman	M Huckerby Board member	W Roberts Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 £ '000	2020 £ '000
Cash flows from operating activities			
Operating surplus		14,415	12,472
Depreciation and impairment		6,725	5,778
Movement in pension liabilities		(491)	(481)
Amortised Grant		(1,791)	(1,778)
Disposal of properties		740	757
Change in value of investment property		-	232
(Decrease)/increase in provisions		(901)	901
(Decrease)/increase in stocks		(639)	1,460
Decrease in trade and other debtors		111	81
Increase in trade creditors		613	184
Cash generated from operations		18,782	19,606
Tax Received		604	-
Net cash from operating activities		19,386	19,606
Cash flows from investing activities			
Purchase and construction of housing properties		(6,047)	(6,488)
Purchase of other fixed assets		(200)	(499)
Interest received		38	169
Social housing grant - received		2,542	1,243
Disposal/(purchase) of short term investments		400	10,800
Net Cash From Investing Activities		(3,267)	5,225
Cash Flows From Financing Activities			
Interest paid		(11,626)	(11,768)
Loans received		-	-
Loan arrangement costs		-	(235)
Loans repaid		(4,836)	(4,826)
Net Cash From Financing Activities		(16,462)	(16,829)
Net Decrease in cash and cash equivalents		(343)	8,002
Cash and cash equivalents at beginning of period		12,459	4,457
Cash and Cash Equivalents at the end of the period	28	12,116	12,459

	31 March 2020 £000	Cash Flow £000	31 March 2021 £000
Group reconciliation of net debt			
Cash Balances	12,459	(343)	**12,116**
Short term investments	8,700	(400)	**8,300**
Debt falling due within one year	(5,067)	(25)	**(5,092)**
Debt falling due after one year	(240,391)	5,012	**(235,379)**
Net Debt	(224,299)	4,244	**(220,055)**

Notes to the financial statements

1. Legal status

Hastoe Housing Association Limited ("The Association") is a housing association registered under the Cooperative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing. Hastoe is the ultimate parent of the Group and is incorporated in England.

2. Principal accounting policies

Basis of preparation

The financial statements of the Group and Association are prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice: Accounting for Registered Social Housing Providers 2014FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019. The Association is a public benefit entity as defined by FRS102.

The following disclosure exemptions have been adopted in respect of the individual accounts of the Hastoe Group:

- The requirement to present a statement of cash flows and related notes;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and all its subsidiaries at 31 March 2021 as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group 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.

The group has not suffered significant negative financial impact as a result of COVID-19 to date. As part of the going concern assessment and conclusion, the continuing effects of COVID-19 and post Brexit transition have been considered in the association's forecasts and factored into the stress test carried out, including any mitigation actions that may be required.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling around £38m, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Associations ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant management judgements

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

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. The total amount of development salaries and associated on costs capitalised in the year was £495,000 (2020: £534,000).

Notes to the financial statements

2. Accounting policies (continued)

Significant management judgements (continued)

Impairment

In accordance with FRS102, assets are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential for housing properties and fair value for other assets. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

No impairment has been charged for land held for future development by the group. The net realisable value of the land is considered to be in excess of the carrying value. In making the assessment, management has taken in to account the future build costs of developing the site.

Allocations of costs

The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

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.

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 that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. A 10% shortening of the all of the asset lives would increase the depreciation charge by £490,000 (2020: £535,000). Accumulated depreciation at 31 March 2021 was £60,374,000 (2020: £54,938,000).

Pension Liability

The Group’s share of net liabilities for the Social Housing Pension Scheme (SHPS) is based on a number of assumptions which are set out in note 23. An decrease in the discount rate of 0.1% would increase the liability by £362,000. Adding one year to life expectancy would increase the liability by £772,000.

Impairment and Provision

The Association conducted fire risk assessments on its low rise blocks of flats to determine whether remedial works are required. A programme of works has been identified and communicated to residents, thereby creating a constructive obligation. In some cases these costs can be recovered from third parties, e.g. the original construction contractor. Where costs cannot be recovered the Association has provided for the estimated liability; as the works will be capitalised the cost of the affected property has been increased; where this would take the carrying amount above the recoverable amount (depreciated replacement cost) impairment has been recognised.

Classification of intercompany balances

Loans due from a group company containing a repayable on demand clause, in addition to the full repayment period, are classified as debtors: due in more than one year. This judgement has been made due to past practice creating an expectation that the full term of the loan applies. The group long term forecast and the group strategy, which the Board has had sight of in the preparation of these accounts, show these loans to be repayable in accordance with the full term of the loan providing further evidence for the Board that they are not due on demand.

Turnover

Turnover comprises rental income and service charges receivable net of voids, fees and revenue grants from local authorities and Homes England, social housing grant amortisation, income from first tranche shared ownership sales, income from properties built for sale and income receivable from other sources.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the balance sheet.

Service charge income is accounted for on the basis of the estimated value of goods or services supplied during the period. For variable service charges, the actual amount of the goods and services incurred is

Notes to the financial statements

2. Accounting policies (continued)

Turnover (continued)

calculated after each year end and any over or under recovery of service charge amounts due is reflected as a creditor or debtor, respectively.

Revenue grants are recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and its individual components (excluding land) under the accruals model.

Income from first tranche sales and properties built for open market sale is recognised when legal completion occurs.

Contract income is recognised pro rata over the period of the contract.

Segmental reporting
The Group is required to disclose information about its operating segments, under IFRS 8, as it has issued publically listed debt. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not review disaggregated financial information of assets and liabilities at this level of operating segment. Segmental information is disclosed in note 3.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting reasons. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. Timing differences include gains and losses recognised on revaluation.
The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value added tax
The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest is capitalised on borrowings used to finance the development of qualifying assets to the extent that it accrues in respect of the period of development. It represents interest on borrowings of the Group as a whole after deduction of interest on Social Housing Grant in advance to the extent that these can be deemed to be financing the development programme.

Other interest payables, including breakage costs, are charged to the income and expenditure account in the year.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model. The Group has no non-basic financial instruments.

Initially, financial assets and liabilities are measured at the transaction price less transaction costs. Subsequently, basic financial assets and liabilities are measured at amortised cost.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Operating leases
Rental costs under operating leases are charged to the income and expenditure account on a straight-line basis over the term of the lease.

Notes to the financial statements

2. Accounting policies (continued)

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. Housing Properties are depreciated from the month following their practical completion or acquisition.

Housing property costs for mixed tenure schemes are allocated proportionately based on number of units of each tenure at the scheme.

The Group accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The particular components identified by the Association and their respective useful economic lives are as follows:

- Roofs and related	50 years
- Kitchens	15 years
- Bathrooms	20 years
- Central heating systems	20 years
- Windows and doors	30 years
- Lifts	25 years
- Photo voltaic panels	25 years

Where a separate identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised. Components are depreciated from the month following their replacement.
Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Freehold land is not depreciated due its indefinite economic life. Depreciation of buildings, excluding the specified components, is provided on the cost, so as to write down the net book value of housing properties to the estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The Group's buildings, excluding specified components, are depreciated at the following annual rates:

Original estates (built before 1980)	1.0%
Newer estates	0.67%
Tower blocks	2.0%

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives, if shorter with the exception of shared ownership properties which are not depreciated.

Gains and losses on disposal of housing property fixed assets are determined by comparing the proceeds with the carrying amount and incidental cost of sales. Gains and losses are recognised in operating surplus.

Investment properties
Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in operating surplus as the holding of such assets is regarded by management as part of its operating activities.

Stock
Shared ownership properties under construction are split between fixed assets and current assets in proportion to the percentage of the property expected to be sold under the first tranche sale and that retained by the Group. The proportion expected to be sold under the first tranche is included within work in progress within current assets, with the remainder classified as a fixed asset under construction. Upon completion of the property, the current asset balance is transferred from working in progress to stock. The exception to this 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 should be limited to the overall surplus by adjusting the costs allocated to current fixed assets.

Notes to the financial statements

2. Accounting policies (continued)

Stock (continued)
Open market sale properties under construction are held in work in progress and transferred to stock upon completion.

Shared ownership and open market sale properties in stock are held at the lower of cost and net realisable value. Costs comprise of materials and direct overheads attributable to the development. Interest incurred is capitalised once the construction contract commences, throughout work in progress and up to the point of practical completion of the development scheme. Net realisable value is assessed using publicly available information and internal forecasts on future sales price after allowing for all further costs of completion and disposal.

Other tangible fixed assets
Other tangible fixed assets are initially recognised at cost, including costs associated bringing them into use. Subsequently, assets are measured using the cost model, subject to any provision for impairment.

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

Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10% - 25%
Computers and office equipment	25%
Motor vehicles	25%

Investments
Investments in subsidiaries are stated at cost less provision for impairment.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

An accrual is recognised for annual leave accrued by employees as a result of services rendered in the current period and which employees are entitled to carry forward and use within the next 12 months. The accrual is measured at the salary cost payable for the period of absence.

Cash and cash equivalents
Cash and cash equivalents comprise cash and readily disposable current asset investments, with a term of less than three months.

Short term investments
Short term investments comprise sterling notice deposit accounts maturing within 3 to 12 months.

Gift Aid
The tax effects of gift aid payments are recognised in the Statement of Comprehensive Income.

Government grant
Government grants include grants receivable from the Homes England, 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 its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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

Notes to the financial statements

2. Accounting policies (continued)

Government grant (continued)
Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. 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 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 as income in income and expenditure.

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 income and expenditure. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

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 Group is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Provisions for liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The obligation must be such that the entity has no realistic alternative to settling the obligation. This can happen when the entity has a legal obligation that can be enforced by law or when the entity has a constructive obligation because the past event (which may be an action of the entity) has created valid expectations in other parties that the entity will discharge the obligation. Obligations that will arise from the entity's future actions (i.e. the future conduct of its business) do not satisfy the condition, no matter how likely they are to occur and even if they are contractual.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Pensions
The Group participates in a funded multi-employer defined benefit scheme, the Social Housing Pension Scheme ('SHPS'). For the financial year ending on 31 March 2021, it has been possible to obtain sufficient information to enable the company to account for the SHPS as a defined benefit scheme.

The Group's share of scheme assets and liabilities are included in the Statement of Financial Position and the expected cost of pensions is charged to the Statement of Total Comprehensive Income so as to spread the cost of pensions over the service lives of employees. The liability for the benefits earned by employees in return for service rendered in the current and prior periods is determined using a number of assumptions, the determination of which is significant to the valuation.

Pensions (continued)
The following are recognised in the Statement of Comprehensive Income: the net finance expense measured using the discount rate applied in measuring the defined benefit obligation; the increase in the present value of pension scheme liabilities arising from employee service in the current period (current service cost); the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest (past service cost); gains and losses arising on settlements / curtailments; and scheme administration costs. Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

Notes to the financial statements

3. Turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities

	2021			
	Turnover	**Cost of Sales**	**Operating Costs**	**Operating surplus(deficit)**
	£ ’000	**£ ‘000**	**£ ’000**	**£ ’000**
Social housing lettings	29,356	-	(16,213)	13,143
Other social housing activities				
First tranche sales	381	(312)	-	69
Leasehold/freehold service charges	83	-	(85)	(2)
Development costs on abortive schemes	-	-	(36)	(36)
Other development costs not capitalised	-	-	(458)	(458)
Management services	38	-	(28)	10
Community Development	-	-	(91)	(91)
Other	-	-	(42)	(42)
	502	(312)	(740)	(550)
Non-social housing activities				
Leasehold/freehold service charges	592	-	(595)	(4)
Open market sales	317	(233)	-	84
Other	831	-	(256)	575
	1,740	(233)	(851)	656
Profit on disposal of properties				1,166
	31,598	(545)	(17,804)	14,415

	2020			
	Turnover	**Cost of Sales**	**Operating Costs**	**Operating surplus(deficit)**
	£ ’000	**£ ‘000**	**£ ’000**	**£ ’000**
Social housing lettings	28,597	-	(17,599)	10,998
Other social housing activities				
First tranche sales	1,351	(1,007)	-	344
Leasehold/freehold service charges	80	-	(77)	3
Development costs on abortive schemes	-	-	(92)	(92)
Other development costs not capitalised	-	-	(418)	(418)
Management services	41	-	(31)	10
Community Development	-	-	(100)	(100)
Other	-	-	(56)	(56)
	1,472	(1,007)	(774)	(309)
Non-social housing activities				
Leasehold/freehold service charges	1,109	-	(1,112)	(3)
Open market sales	1,980	(1,814)	-	166
Other	914		(320)	594
	4,003	(1,814)	(1,432)	757
Profit on disposal of properties				1,026
	34,072	(2,821)	(19,805)	12,472

Notes to the financial statements

3. Turnover, cost of sales, operating costs and operating surplus (continued)

ASSOCIATION – continuing activities

	2021			
	Turnover £ '000	**Cost of Sales £ '000**	**Operating costs £ '000**	**Operating surplus/(deficit) £ '000**
Social housing lettings	29,356	-	(16,213)	13,143
Other social housing activities				
First tranche sales	381	(312)	-	69
Leasehold/freehold service charges	83	-	(85)	(2)
Development costs on abortive schemes	-	-	(1)	(1)
Other development costs not capitalised	-	-	(139)	(139)
Management services	714	-	(933)	(219)
Community Development	-	-	(91)	(91)
Other	-	-	(42)	(42)
	1,178	(312)	(1,291)	(425)
Non-social housing activities				
Leasehold/freehold service charges	591	-	(595)	(4)
Other	621	-	(75)	546
	1,212		(670)	542
Gain on disposal of properties	-	-	-	1,166
	31,746	(312)	(18,174)	14,426

	2020			
	Turnover £ '000	**Cost of Sales £ '000**	**Operating costs £ '000**	**Operating surplus/(deficit) £ '000**
Social housing lettings	28,597	-	(17,599)	10,998
Other social housing activities				
First tranche sales	1,351	(1,007)	-	344
Leasehold/freehold service charges	80	-	(77)	3
Development costs on abortive schemes	-	-	(18)	(18)
Other development costs not capitalised	-	-	(126)	(126)
Management services	781	-	(940)	(159)
Community Development	-	-	(100)	(100)
Other	-	-	(56)	(56)
	2,212	(1,007)	(1,317)	(112)
Non-social housing activities				
Leasehold/freehold service charges	1,109	-	(1,112)	(3)
Open market sales	705	-	(113)	592
Other				
	1,814	-	(1,225)	589
Gain on disposal of properties	-	-	-	1,026
	32,623	(1,007)	(20,141)	12,501

Notes to the Financial Statements

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

GROUP

	General Needs Housing £ '000	Shared Ownership £ '000	2021 Total £ '000	2020 Total £ '000
Rent receivable net of identifiable service charges	23,707	2,821	26,528	25,772
Service charge income	756	281	1,037	1,047
Amortised government grants	1,730	61	1,791	1,778
Turnover from social housing lettings	26,193	3,163	29,356	28,597
Management	(2,793)	(334)	(3,127)	(3,102)
Service charge costs	(798)	(297)	(1,095)	(1,091)
Routine maintenance	(3,630)	-	(3,630)	(4,040)
Planned maintenance	(903)	-	(903)	(826)
Major repairs expenditure	(1,683)	-	(1,683)	(1,767)
Bad debts	-	-	-	(221)
Property lease charges	(206)	-	(206)	(186)
Depreciation and impairment of housing properties*	(6,058)	(354)	(6,412)	(5,416)
Provision for liabilities	488	413	901	(901)
Other costs	(58)	-	(58)	(49)
Operating costs on social housing lettings	(15,641)	(572)	(16,213)	(17,599)
Operating surplus on social housing lettings	10,552	2,591	13,143	10,998
Void losses	258	-	258	152

ASSOCIATION

	General Needs Housing £ '000	Shared Ownership £ '000	2021 Total £ '000	2020 Total £ '000
Rent receivable net of identifiable service charges	23,707	2,821	26,528	25,772
Service charge income	756	281	1,037	1,047
Amortised government grants	1,730	61	1,791	1,778
Turnover from social housing lettings	26,193	3,163	29,356	28,597
Management	(2,793)	(334)	(3,127)	(3,102)
Service charge costs	(798)	(297)	(1,095)	(1,091)
Routine maintenance	(3,630)	-	(3,630)	(4,040)
Planned maintenance	(903)	-	(903)	(826)
Major repairs expenditure	(1,683)	-	(1,683)	(1,767)
Bad debts	-	-	-	(221)
Property lease charges	(206)	-	(206)	(186)
Depreciation and impairment of housing properties*	(6,058)	(354)	(6,412)	(5,416)
Provision for liabilities	488	413	901	(901)
Other costs	(58)	-	(58)	(49)
Operating costs on social housing lettings	(15,641)	(572)	(16,213)	(17,599)
Operating surplus on social housing lettings	10,552	2,591	13,143	10,998
Void losses	258	-	258	152

*Included within depreciation is write offs on the replacement of components.

Notes to the Financial Statements

4. Accommodation in management

Group and Association

At the end of the year accommodation in management for each class of accommodation was as follows:

	2020 No.	Additions	Disposals	2021 No.
Social housing				
General housing – social rent	3,290	5	(3)	3,292
General housing – affordable rent	892	10	-	902
Shared ownership	823	6	(6)	823
Leasehold	279	-	(8)	271
Total owned	5,284	21	(17)	5,288
Accommodation managed for others	10	-	-	10
Total owned and managed	5,294	21	(17)	5,298
Non-social housing				
Market rent	8	-	-	8
Leasehold	2,067	11	(3)	2,075
Total owned	2,075	11	(3)	2,083
Accommodation managed for others	300	3	(3)	300
Total owned and managed	2,375	14	(6)	2,383

The Group owns 5 hostels (2020: 5) that are managed on its behalf, under management agreements, by other bodies that contract with Supporting People Administering Authorities. The Group does not carry the financial risk relating to the supported housing activities.

5. Operating surplus

This is arrived at after charging:

	Group		Association	
	2021 £ '000	2020 £ '000	2021 £ '000	2020 £ '000
Depreciation of housing properties	5,493	5,438	5,382	5,342
Impairment of housing properties	875	-	875	-
Depreciation of other tangible fixed assets	357	339	351	333
Depreciation written off on replacement of components	155	91	155	75
Operating lease rentals				
- land and buildings	25	25	25	25
- Office equipment	15	7	15	7
- Motor vehicles	3	-	3	-
Donations	2	3	2	3
Auditors' remuneration (excluding VAT)				
- for audit services	65	56	55	45
- for audit related assurance services	15	13	15	13

Notes to the Financial Statements

6. Surplus on sale of fixed assets – housing properties

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Disposal proceeds	1,798	2,116	1,798	2,116
Carrying value of fixed assets	(632)	(1,090)	(632)	(1,090)
	1,166	1,026	1,166	1,026

7. Interest receivable

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Interest receivable	38	169	180	364

8. Interest payable and financing costs

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Loans and bank overdrafts	11,254	11,435	11,254	11,435
Commitment fee on loans	180	209	180	209
Loan issue costs	124	157	124	157
Unwinding of discount factor on defined benefit pension liability	35	100	35	100
Movement in amortised cost of financial instruments	(36)	(526)	(36)	(526)
Interest payable capitalised on housing properties under construction	(191)	(210)	(187)	(199)
	11,366	11,165	11,370	11,176
Capitalisation rate used to determine the finance costs capitalised during the year	3.6%	3.6%	3.6%	3.6%

Notes to the Financial Statements

9. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 35 hours):

	Group		Association	
	2021	**2020**	**2021**	**2020**
	No.	**No.**	**No.**	**No.**
Administration	27	23	27	23
Development	11	10	11	10
Housing	59	59	59	59
	97	92	97	92

Employee costs:	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Wages and salaries	3,964	3,757	3,964	3,757
Social security costs	396	377	396	377
Other pension costs	256	219	256	219
	4,616	4,353	4,616	4,353

Number of employees (full time equivalents) with remuneration over £60,000	**2021**	**2020**
£60,000 to £69,999	3	3
£70,000 to £79,999	-	1
£80,000 to £89,999	3	2
£90,000 to £99,999	2	1
£100,000 to £109,999	1	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	1	1
£140,000 to £149,999	-	-
£150,000 to £159,999	-	1
£160,000 to £169,999	1	-

Notes to the Financial Statements

10. Board members and executive directors

	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2021 Total £ '000	2020 Total £ '000
Executive directors	499	3	40	542	503
Non-executive directors	62	-	-	62	62
	561	3	40	604	565

The terms of payment for non-executive directors are set out in their agreement for services and follow best practice in the sector.

The emoluments receivable by the executive directors are shown below:

	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2021 Total £ '000	2020 Total £ '000
Andrew Potter	161	-	13	174	170
Ulrike Maccariello	97	-	8	105	100
Georgina Parkinson	107	1	8	116	90
William Roberts	134	2	11	147	143
	499	3	40	542	503

The executive directors are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme and no enhanced or special terms apply. Hastoe Housing Association Limited does not make any further contribution to an individual pension arrangement for any of the executive directors.

Notes to the Financial Statements

11. Tax on surplus on ordinary activities

	Group 2021 £ '000	Group 2020 £ '000	Association 2021 £ '000	Association 2020 £ '000
Current tax				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	(604)	-	(604)	-
Deferred tax				
Origination of timing differences	-	-	-	-
Total tax	(604)	-	(604)	-

	Group 2021 £ '000	Group 2020 £ '000	Association 2021 £ '000	Association 2020 £ '000
Surplus for the year before tax	3,087	1,476	3,259	1,735
Theoretical tax at UK corporation tax rate 19% (2020: 19%)	587	280	619	330
- surplus arising in charitable entities	(576)	(283)	(619)	(330)
- fixed asset differences	-	-	-	-
- expenses not deductible for tax	-	-	-	-
- income not taxable for tax purposes	-	-	-	-
- chargeable gains & indexation allowance	-	-	-	-
- deferred tax not recognised	5	5	-	-
- adjust closing deferred tax to average rate of 19%	-	(1)	-	-
- adjust opening deferred tax to average rate of 19%	-	(1)	-	-
- Group relief claimed	(16)	-	-	-
- Adjustments in respect of prior years	(604)	-	(604)	-
- Tax credit on gift aid payment	-	-	-	-
Total tax	(604)	-	(604)	-

Factors that may affect future tax charges

The Group has tax losses of £276,000 as at 31 March 2021 (2020: £257,000) all of which may be set against certain profits arising in future accounting periods. The resultant deferred tax asset of £52,000 as at 31 March 2021 (2020: £49,000) has not been recognised due to uncertainties as to the extent and timing of its future recovery.

Notes to the Financial Statements

12. Tangible fixed assets – housing properties

GROUP

	Components	Land and residual building	Social housing properties held for letting *	Social housing properties for letting under construction	Shared ownership properties under construction	Completed shared ownership housing properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2020	83,578	321,168	404,746	3,459	2,572	50,620	461,397
Additions	-	-	-	4,024	1,845	-	5,869
Transfer from stock	-	-	-	1,245	835	-	2,080
Works to existing properties	1,076	1,820	2,896	-	-	1,638	4,534
Interest capitalised	-	-	-	120	73	-	193
Schemes completed	570	2,438	3,008	(3,008)	(999)	999	-
Disposals	(461)	(24)	(485)	-	-	(538)	(1,023)
At 31 March 2021	84,763	325,402	410,165	5,840	4,326	52,719	473,050
Depreciation and impairment							
At 1 April 2020	30,613	22,087	52,700	-	-	-	52,700
Depreciation charged in year	3,499	1,994	5,493	-	-	-	5,493
Impairment	99	422	521	-	-	354	875
Disposals	(279)	(5)	(284)	-	-	-	(284)
At 31 March 2021	33,932	24,498	58,430	-	-	354	58,784
Net book value							
At 31 March 2021	50,831	300,904	351,735	5,840	4,326	52,365	414,266
At 31 March 2020	52,965	299,081	352,046	3,459	2,572	50,620	408,697

* Included within the social housing properties held for letting, 5 hostels valued at £2,324,000 (2020: 5 units at £2,285,000) and 2 rent to home buy properties valued at £255,000 (2020: 2 units at £226,000).

Notes to the Financial Statements

12. Tangible fixed assets – housing properties (continued)

ASSOCIATION

	Components	Land and residual building	Social housing properties held for letting *	Social housing properties for letting under construction	Shared ownership properties under construction	Completed shared ownership housing properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2020	82,151	323,392	405,543	3,376	2,315	51,366	462,600
Additions	-	-	-	4,151	1,912	-	6,063
Works to existing properties	1,076	1,820	2,896	-	-	1,638	4,534
Interest capitalised	-	-	-	120	73	-	193
Schemes completed	570	2,559	3,129	(3,129)	(1,026)	1,026	-
Disposals	(461)	(24)	(485)	-	-	(538)	(1,023)
At 31 March 2021	83,336	327,747	411,083	4,518	3,274	53,492	472,367
Depreciation and impairment							
At 1 April 2020	30,006	22,087	52,093	-	-	-	52,093
Depreciation charged in year	3,384	1,993	5,377	-	-	-	5,377
Impairment	99	422	521	-	-	354	875
Disposals	(279)	(5)	(284)	-	-	-	(284)
At 31 March 2021	33,210	24,497	57,707	-	-	354	58,061
Net book value							
At 31 March 2021	50,126	303,250	353,376	4,518	3,274	53,138	414,306
At 31 March 2020	52,145	301,305	353,450	3,376	2,315	51,366	410,507

* Included within the social housing properties held for letting, 5 hostels with a net book value of £2,324,000 (2020: 5 units at £2,285,000) and 2 rent to home buy properties valued at £225,000 (2020: 2 units at £226,000).

Notes to the Financial Statements

12. Tangible fixed assets – housing properties (continued)

Completed housing properties historical cost, net of depreciation comprises:

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Freehold land and buildings	353,700	351,499	356,038	353,612
Long leasehold land and buildings	50,400	51,167	50,476	51,204
	404,100	402,666	406,514	404,816

Expenditure on works to existing properties	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Amounts capitalised (components)	4,534	817	4,534	817
Amounts charged to income and expenditure account	6,216	6,633	6,216	6,633
	10,750	7,450	10,750	7,450

Impairment:

The following were considered to be indicators of impairment at 31 March 2021:

1) Uncertainty over the value of a land holding.

The intention is for the development of affordable homes on the site that are expected to be financially viable therefore no impairment is deemed necessary.

2) An open market property that was unsold for 6 months at the year end.

The property was sold in May 2021 for a value in excess of the holding cost therefore no impairment is required

3) The failure of a contractor on a development scheme in progress

Contractor liquidation has contributed to a forecast cost overrun on the scheme. There is no impairment of the scheme as the depreciated replacement cost is greater than the book value at 31 March 2021.

4) Remedial works on a scheme

A number of defects on a scheme at Carhampton has resulted in scheme costs exceeding the original budget by £0.5m. No impairment is required as the net book value remains lower than the depreciated replacement cost.

5) Remedial fire safety works

Following type 4 fire risk assessments carried out, a number of low-rise blocks of flats have been identified as requiring significant remedial works. In the current year £3.9m of fire safety costs have been provided and capitalised to housing assets. In 2019/20 £900k these costs were provided for within the income and expenditure account. Due to a revision in judgement, these costs were reversed in the current year and have been included in in the total provision. As a result of the capitalisation in the current year, the net book value exceeds the depreciated replacement cost by £875,000 and an impairment has been recognised.

Social housing assistance:

Total accumulated social housing grant received or receivable at 31 March:	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Capital grant	155,566	152,448	155,566	152,448
	155,566	152,448	155,566	152,448

Notes to the Financial Statements

13. Tangible fixed assets – investment properties

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
At 1 April	4,253	4,485	4,253	4,485
Additions	-	-	-	-
Disposals	-	(232)	-	(232)
	4,253	4,253	4,253	4,253

The Group's investment properties were subject to a full valuation on 31 March 2018, by independent external valuers, Savills Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

There have been no material changes in the rent charged in the year and therefore the fair value of the investment properties at 31 March 2021 has not been revised.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Real discount rate	4.75%- 5.75%
Annual inflation rate	2.0%
Level of annual rent increase	3.0%

14. Tangible fixed assets – other

GROUP

	Leasehold Offices	Furniture Fixtures and Fittings	Computers and Office Equipment	PV Panels	Motor Vehicles	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost						
At 1 April 2020	2,726	320	3,201	46	32	6,325
Additions	18	-	182	-		200
Disposals	-	-	(98)	-	(32)	(130)
At 31 March 2021	2,744	320	3,285	46	-	6,395
Depreciation						
At 1 April 2020	264	252	1,680	10	32	2,238
Charged in year	27	18	310	2	-	357
Released on disposal	-	-	(98)	-	(32)	(130)
At 31 March 2021	291	270	1,892	12	-	2,465
Net book value						
At 31 March 2021	2,453	50	1,393	34	-	3,930
At 31 March 2020	2,462	68	1,521	36	-	4,087

Notes to the Financial Statements

14. Tangible fixed assets – other (continued)

ASSOCIATION

	Leasehold Offices	Furniture Fixtures and Fittings	Computers and Office Equipment	Motor Vehicles	Total
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**	**£ ’000**
Cost					
At 1 April 2020	2,726	320	3,119	32	6,197
Additions	18	-	182	-	200
Disposals			(98)	(32)	(130)
At 31 March 2021	2,744	320	3,203	-	6,267
Depreciation					
At 1 April 2020	264	252	1,607	32	2,155
Charged in year	27	18	306	-	351
Released on disposal			(98)	(32)	(130)
At 31 March 2021	291	270	1,815	-	2,376
Net book value					
At 31 March 2021	2,453	50	1,388	-	3,891
At 31 March 2020	2,462	68	1,512	-	4,042

Impairment:
Uncertainty over future office requirements was considered to be an indicator of impairment at 31 March 2021 Office space has been under-utilised since the enforced changes to working arrangements as a result of the pandemic. Were there to be a permanent change to requirements no impairment is deemed necessary as the current market value of premises exceed the net book value.

15. Investment in subsidiaries and associated undertakings

	Group		Association	
	2021 £’000	**2020 £’000**	**2021 £’000**	**2020 £’000**
Investment in Hastoe Capital	-	-	50	50
Investment in Sustainable Homes	-	-	500	500
	-	-	550	550

As required by statute, the financial statements consolidate the results of Sustainable Homes Limited, Hastoe Homes Limited, Lowen Homes Limited and Hastoe Capital plc all of which were subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the board of the subsidiaries and thereby exercises control over them. Hastoe Housing Association Limited is the ultimate parent undertaking.

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Share Capital Held
Hastoe Homes Limited	Design and build services	England	100%
Hastoe Capital plc	Special Purpose Vehicle for bond issue	England	100%
Lowen Homes Limited	Training and consultancy	England	100%
Sustainable Homes Limited	Build and sell homes	England	100%

Notes to the Financial Statements

16. Stock

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Completed open market sale properties	641	258	284	-
Completed shared ownership properties	434	99	434	99
Open market sale properties under construction	-	2,464	-	-
Shared ownership properties under construction	897	592	897	592
	1,972	3,413	1,615	691
Capitalised interest included in the above	50	109	36	17

17. Debtors

pt

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges receivable	743	719	743	719
Less: Provision for bad and doubtful debts	(210)	(325)	(210)	(325)
	533	394	533	394
Trade debtors	-	-	-	-
Grant receivable	549	95	549	95
Amounts due from leaseholders and freeholders	875	794	875	794
Amounts owed by subsidiary undertaking	-	-	4,084	4,437
Other debtors	244	368	195	320
Prepayments and accrued income	651	857	627	825
	2,852	2,508	6,863	6,865

18. Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Debt and related amounts (note 22)	5,092	5,067	5,092	5,067
Trade creditors	303	380	301	160
Rent and service charges received in advance	895	852	895	852
Amounts owed to subsidiary undertakings	-	-	1,057	805
Other creditors	169	184	169	183
Accruals and deferred income	3,367	2,619	2,005	1,582
Deferred capital grant (note 20)	1,747	1,732	1,747	1,732
Sinking funds	2,776	2,340	2,776	2,340
Grant received in advance	41	41	41	41
Recycled capital grant fund (note 21)	166	313	166	313
	14,556	13,528	14,249	13,075

Notes to the Financial Statements

19. Creditors: amounts falling due after more than one year

	Group 2021 £ '000	Group 2020 £ '000	Association 2021 £ '000	Association 2020 £ '000
Debt and related amounts (note 22)	235,379	240,391	235,379	240,391
Deferred capital grant (note 20)	127,885	126,574	127,885	126,574
Recycled capital grant fund (note 21)	202	176	202	176
	363,466	367,141	363,466	367,141

20. Deferred capital grant

	Group 2021 £ '000	Group 2020 £ '000	Association 2021 £ '000	Association 2020 £ '000
At 1 April	128,306	129,245	128,306	129,245
Grant receivable in the year	3,231	938	3,231	938
Grant repaid in the year	(114)	(99)	(114)	(99)
Grant released to income in the year	(1,791)	(1,778)	(1,791)	(1,778)
At 31 March	129,632	128,306	129,632	128,306
Amount to be released within one year	1,747	1,732	1,747	1,732
Amount to be released in more than one year	127,885	126,574	127,885	126,574
	129,632	128,306	129,632	128,306

21. Recycled Capital Grant Fund

	Group 2021 £ '000	Group 2020 £ '000	Association 2021 £ '000	Association 2020 £ '000
Opening balance	489	506	489	506
Grants recycled	100	104	100	104
Drawdown	(192)	(87)	(192)	(87)
Repaid	(29)	(34)	(29)	(34)
Closing balance	368	489	368	489
Closing balance consists of:				
Homes England Fund	362	455	362	455
Greater London Authority Fund	6	34	6	34
	368	489	368	489
Amount due for repayment to the Homes & Communities Agency within one year	166	313	166	313

Notes to the Financial Statements

22. Debt and related amounts

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Debt:				
Outstanding principle amount	230,319	235,154	230,319	235,154
Cumulative movement in amortised cost	220	140	220	140
Amortised cost	230,539	235,294	230,539	235,294
Related amounts:				
Premium on bond issue	11,601	11,957	11,601	11,957
Loan arrangement fees	(1,669)	(1,794)	(1,669)	(1,794)
	240,471	245,458	240,471	245,458
Due:				
Within one year	5,092	5,067	5,092	5,067
Between one and two years	5,116	5,092	5,116	5,092
Between two and five years	15,151	15,207	15,151	15,207
After five years	215,112	220,092	215,112	220,092
	235,379	240,391	235,379	240,391
	240,471	245,458	240,471	245,458

The fair value of the Group's long term borrowing is £357m (2020: £380m). Bank loans and bonds are secured by fixed charges on properties. The bond has a gross redemption value of £150m.

The Group's loans along with key terms are summarised in the table below:

	Barclays	**HBOS**	**Orchardbrook**	**Bond**
Value (£'000)	38,250	41,650	419	150,000
Interest Rate	0.7% - 6.0%	1.3% - 5.6%	6.10%	5.60%
	Fixed & Variable	Fixed	Fixed	Fixed
Maturity	April 2037	June 2037	Jan 2025	March 2042
Repayment Profile (£'000)				
Within 1 year	2,250	2,450	143	-
1-2 Years	2,250	2,450	152	-
2- 5 Years	6,750	7,350	124	-
After 5 years	27,000	29,400	-	150,000

At 31 March 2021, the Group had undrawn committed loan facilities of £38m (2020: £38m) and cash holdings of £12m (2020: £12m).

Notes to the Financial Statements

22. Debt and related amounts (continued)

The bank loans are repaid in quarterly and half-yearly instalments at rates of interest ranging from 2.6% to 6.3%. The proportion of drawn debt on fixed and floating rates is as follows:

	Group		Association	
	2021	**2020**	**2020**	**2020**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Fixed rate	223,289	225,794	223,289	225,794
Floating rate	7,250	9,500	7,250	9,500
	230,539	235,294	230,539	235,294

Financial risk management

Risk management objectives and policies

The Hastoe Housing Association Group Board govern the treasury activities of all the Group's legal entities. The Association's treasury function is responsible for the management of funds and control of associated risks. The treasury function does not operate as a profit centre.

Counterparty risk

It is recognised that Covid-19 could put financial institutions under increased stress due to a prolonged period of loan defaults. The failure of one of a Group treasury counterparty is deemed a low risk, but the Group has extended its minimum cash holding from 3 months to 6 months of cashflow for the period of the crisis. The treasury function will continue to ensure that cash balances held are spread over a number of counterparties.

Interest rate risk

Hastoe Capital plc borrows funds on a fixed rate basis from the capital markets and then on-lends these funds to Hastoe Housing Association Limited on a similar fixed rate basis and as such there is no interest rate risk to the Group in relation to the bond.

Credit risk

The main risk facing the Group is that it will be unable to make its interest or principal payments when they fall due. This risk is through funding being arranged under a secured loan agreement, which is backed by housing assets of Hastoe Housing Association Limited.

Hastoe Housing Association Limited benefits from 'A3' credit rating from Moody's Investor Services.

23. Pension liability

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

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

Notes to the Financial Statements

23. Pension liability (continued)

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

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

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

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

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

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

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2021 (£000s)	**31 March 2020 (£000s)**
Fair value of plan assets	16,208	15,028
Present value of defined benefit obligation	(19,593)	(16,726)
Surplus (deficit) in plan	(3,385)	(1,698)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(3,385)	(1,698)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021 (£000s)
Defined benefit obligation at start of period	16,726
Expenses	14
Interest expense	394
Actuarial losses (gains) due to scheme experience	(659)
Actuarial losses (gains) due to changes in demographic assumptions	76
Actuarial losses (gains) due to changes in financial assumptions	3,554
Benefits paid and expenses	(512)
Defined benefit obligation at end of period	**19,593**

Notes to the Financial Statements

23. Pension liability (continued)

	Period ended 31 March 2021 (£000s)
Fair value of plan assets at start of period	15,028
Interest income	359
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	828
Contributions by the employer	505
Benefits paid and expenses	(512)
Fair value of plan assets at end of period	16,208

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

	Period from 31 March 2020 to 31 March 2021 (£000s)
Expenses	14
Net interest expense	35
Defined benefit costs recognised in statement of comprehensive income (SoCI)	49

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	828
Experience gains and losses arising on the plan liabilities - gain (loss)	659
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(76)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(3,554)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(2,143)
Total amount recognised in other comprehensive income - gain (loss)	(2,143)

Notes to the Financial Statements

23. Pension liability (continued)

ASSETS

	31 March 2021 (£000s)	31 March 2020 (£000s)
Absolute Return	895	784
Alternative Risk Premia	610	1,051
Corporate Bond Fund	958	857
Credit Relative Value	510	412
Distressed Opportunities	468	289
Emerging Markets Debt	654	455
Fund of Hedge Funds	2	9
Global Equity	2,583	2,198
Infrastructure	1,081	1,118
Insurance-Linked Securities	389	462
Liability Driven Investment	4,119	4,988
Liquid Credit	193	6
Long Lease Property	318	260
Net Current Assets	99	64
Opportunistic Illiquid Credit	412	364
High Yield	485	-
Opportunistic Credit	444	-
Private Debt	387	303
Property	337	331
Risk Sharing	590	507
Secured Income	674	570
Total assets	16,208	15,028

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

Notes to the Financial Statements

23. Pension liability (continued)

KEY ASSUMPTIONS

	31 March 2021	31 March 2020
	% per annum	**% per annum**
Discount Rate	2.15	2.39
Inflation (RPI)	3.29	2.65
Inflation (CPI)	2.86	1.65
Salary Growth	3.86	2.65
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

24. Provisions for liabilities and charges

GROUP & ASSOCIATION	Fire Safety Provision	Total
	£ '000	**£ '000**
At 1 April 2020	901	901
Additions in the year	2,984	2,985
At 31 March 2021	3,885	3,885

Fire Safety Provision
The Association conducted fire risk assessments on its low rise blocks of flats to determine whether remedial works are required. A programme of works has been identified and communicated to residents, thereby creating a constructive obligation. In some cases these costs can be recovered from third parties, e.g. the original construction contractor. Where costs cannot be recovered the Association has provided for the estimated liability; the works have been capitalised, the cost of the affected property increased; where this would take the carrying amount above the recoverable amount (depreciated replacement cost) impairment has been recognised. Refer to note 12.

Notes to the Financial Statements

25. Non-equity share capital

	2021 £	2020 £
Shares of £1 each issued and fully paid		
At 1 April	13	10
Shares cancelled during the year	(3)	-
Shares issued during the year	-	3
At 31 March	10	13

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

26. Financial commitments

Capital expenditure commitments were as follows:	**Group**		**Association**	
	2021 £ '000	**2020 £ '000**	**2021 £ '000**	**2020 £ '000**
Capital expenditure				
Expenditure contracted for but not provided in the accounts	9,106	13,021	9,106	13,021
Expenditure authorised by the Board, but not contracted	37,497	23,975	37,497	23,975
	46,603	36,996	46,603	36,996

The above commitments will be funded by cash holdings and borrowings of £33.8m, property sales of £4.6m and social housing grant of £8.2m.

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Association**	
	2021	**2020**	**2021**	**2020**
	£000	**£ '000**	**£000**	**£ '000**
Less than one year	46	39	46	39
Between one and five years	56	83	56	83
Beyond five years	-	-	-	-
	102	122	102	122

27. Contingent liabilities

The Group and Association had no material contingent liabilities at 31 March 2021 (2020: nil).

Notes to the Financial Statements

28. Reconciliation of net cash flow to movement in net debt

	2021 £ '000	2020 £ '000
Increase/(decrease) in cash	(743)	(2,798)
Cash (inflow)/outflow from decrease in debt and lease finance	4,836	4,826
Decrease/(increase) in net debt from cash flows	4,093	2,028
Loan issue costs	-	235
Movement in amortised cost of financial instruments	(80)	402
Amortisation of premium on bond issue	356	343
Amortisation of issue costs	(125)	(157)
Total changes in net debt for the year	4,244	2,851
Net debt at 1 April	(224,299)	(227,150)
Net debt at 31 March	(220,055)	(224,299)

29. Analysis of net debt

	1 April 2020 £ '000	Cash Flow £ '000	Non-Cash Movement £ '000	31 March 2021 £ '000
Cash and cash equivalents	12,459	(343)	-	12,116
Short term investments	8,700	(400)	-	8,300
Loans	(245,458)	4,836	151	(240,471)
Changes in net debt	(224,299)	4,093	151	(220,055)

30. Related parties

The following table summarises the companies in the Group and their legal status:

Company	Legal Status
Hastoe Housing Association Limited	Registered Social Housing Provider
Lowen Homes Limited	Company Limited by Guarantee
Hastoe Capital plc	Unlisted Public Limited Company
Hastoe Homes Limited	Company Limited by Shares
Sustainable Homes Limited	Company Limited by Shares

All subsidiaries are wholly owned by the parent company, Hastoe Housing Association Limited.

Hastoe Housing Association Limited is registered with and regulated by the Homes and Communities Agency. The activities of Lowen Homes Limited, Hastoe Homes Limited, Sustainable Homes Limited and Hastoe Capital plc are not regulated. Charges for development services made by Hastoe Homes Limited subject to 14 day payment terms with a commercial mark up applied to the charges. Interest charges made by Hastoe Capital plc match its funding costs.

At 31 March 2021, Hastoe Housing Association Limited owed Lowen Homes Limited £nil (2020: £3,000) relating to working capital balances repayable on demand.

Notes to the Financial Statements

30. Related parties (continued)

At 31 March 2021 Hastoe Housing Association Limited owed Hastoe Homes Limited £904,000 (2020: £664,000) relating to development services. During the year Hastoe Housing Association Limited made charges of £664,000 to Hastoe Homes Limited (2020: £709,000). Hastoe Homes Limited made charges of £6,557,000 (2020: £5,380,000) to Hastoe Housing Association Limited.

Hastoe Housing Association Limited has a loan of £4,084,000 to Sustainable Homes Limited (2020: £4,436,000). Interest on the loan is charged at a current rate of 4.0% and has a maturity date of October 2022. At 31 March 2021 Sustainable Homes Limited owed Hastoe Housing Association Limited £nil (2020: £2,000) relating to management services. During the year Hastoe Housing Association Limited made charges of £11,000 to Sustainable Homes Limited (2020: £30,000).

At 31 March 2021 Hastoe Housing Association Limited owed £161,639,000 to Hastoe Capital plc (2020: £161,995,000) relating to the on lending of a fixed rate bond repayable in full in March 2042. During the year Hastoe Capital plc charged £8,044,000 for interest on loans (2020: £8,057,000).

Hastoe Housing Association Limited is the corporate trustee of Gaymer Memorial Cottages, a registered charity that owns four homes which are managed by Hastoe Housing Association Limited. At 31 March 2021, Gaymer Memorial Cottages owed Hastoe Housing Association £4,000 (2020: Hastoe Housing Association owed £1,000) relating to working capital balances repayable on demand. Hastoe Housing Association Limited charged £4,000 for services provided to Gaymer Memorial Cottages (2020: £4,000).

Hastoe Housing Association Limited is the corporate trustee of the Bernard Herridge Charity, a registered charity that owns six homes which are managed by Hastoe Housing Association. At 31 March 2021, Bernard Herridge Charity owed Hastoe Housing Association £10,000 (2020: £14,000) relating to working capital balances repayable on demand. During the year, Hastoe Housing Association Limited charged £34,000 (2020: £38,000) for services provided to the Bernard Herridge Charity.

The aggregate amount of emoluments paid to key management personnel during the year was £600,000 (2020: £578,000).

Julie Pearce-Martin is a board member and a tenant. Her tenancy is on normal commercial terms and she is not able to use her position to her advantage. The rent charged in the year was £8,697 and there was no amount owed at the year end.

31. Financial assets and liabilities

The carrying amounts of financial assets and liabilities include:

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£ ’000	**£ ’000**	**£ ’000**	**£ ’000**
Financial assets that are debt instruments measured at amortised cost	21,898	22,149	21,772	21,979
Financial liabilities measured at amortised cost	235,089	242,778	234,787	242,349

32. Post Balance Sheet Events

There are no material post balance sheet events