Registered Society No 16243R

HASTOE HOUSING ASSOCIATION LIMITED

Report and Group Financial Statements

Year ended 31 March 2022

CONTENTS

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board

Chair	Lindy Morgan (appointed 24 March 2022, appointed as Chair 12 May 2022) Ed Buscall (resigned 11 May 2022)
Deputy Chair and Senior Independent Director	Andrew Wiseman (appointed as Deputy Chair 1 May 2022) Richard Quallington (resigned as Deputy Chair 30 April 2022, resigned 3 July 2022)
Other Members	John Bruton (appointed 13 May 2021) Martin Huckerby Lisa Hughes Omadevi Jani (appointed 13 May 2021) Jo Lavis (appointed 12 May 2022) Andrew Moore (resigned 11 February 2022) Chris Parsons Julie Pearce-Martin Anne Perkins Robert Rutledge

Executive Directors

Chief Executive	Andrew Potter
Finance Director	William Roberts
Development Director	Ulrike Maccariello
Housing Director	Georgina Parkinson
Property Director	Kirsty McGivney (appointed 13 June 2022) Mark Agnew (appointed 14 June 2021, resigned 12 June 2022)
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 2022.

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	Development and sale of homes on the open market.	Company Limited by Shares
Lowen 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 £15m 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. 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 be an excellent employer to enable Hastoe to attract and retain high performing staff.

STRATEGIC REPORT (CONTINUED)

Hastoe's longstanding Chair, Ed Buscall retired at the end of his nine year term in May 2022. Lindy Morgan joined the Board on 24 March 2022 and was elected as Chair on 12 May 2022, having been through a thorough induction and handover process with outgoing Chair. Lindy Morgan brings a wealth of experience, as an executive and non-executive in social housing, and a commitment to deliver upon Hastoe's strategic ambitions.

Operating environment

The Government's focus over the past two years has been on managing the Covid-19 pandemic. With restrictions lifted in England in April 2022, the Country is beginning its adjustment to a new norm. However, this is against a backdrop of disrupted supply chains, global tensions, changes in the labour market and higher inflation in the economy. Sharply rising costs, and in particular energy costs, have led to a cost- of- living crisis that disproportionally affects those on the lowest incomes.

The Consumer Price Index (CPI) for June 2022 reached 9.4%, a level of inflation not seen in the United Kingdom since 1982. Whilst there are other factors at play, the conflict in Ukraine has led to a rapid rise in energy and food costs. In August 2022, the Bank of England (BoE) forecast that CPI would peak at around 13% in October 2022 and predicted a slowdown in economic growth. Although the unemployment rate is likely to fall slightly in the near term, the BoE expects it to rise to 5.5% in three years' time given the lower levels of growth. The BoE is forecasting that CPI will return close to its 2% target in around two years' time.

The Board is very aware of the financial difficulties facing its customers and as a result has set up a fund to help residents who may experience hardship and provides staff who offer welfare and benefit advice. The Board is monitoring the position closely and receives regular reports on rent arrears. At 31 March 2022, the rent arrears of Hastoe tenants and shared owners stood at 2.4% and 1.2% of rent charged, respectively (2021: 2.5% and 1.3%, respectively).

In an attempt to control inflation, since December 2021, the BoE has raised the bank base rate on six occasions, from an historic low of 0.1% to 1.75% in August 2022. The BoE is forecasting further increases in the base rate with an expected peak of 3% in 2023.

Public sector debt was £1.8 trillion in March 2022. The debt that has accumulated due to the various Government support programmes during the Covid-19 pandemic means that the Government may judge that it has less room for manoeuvre to provide support during the current cost of living crisis. A decision to address the level of debt by reducing or reprioritising government expenditure could lead to cuts in welfare benefits or, more likely, 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. The Board is conscious that Government policy can change and that, given the forecast levels of CPI, particular consideration will need to be given to the level of the next rent increase. The Board will need to balance tenant affordability and the Association's financial viability. The Board has considered the effect of differing levels of rent and cost inflation as the part of the stress testing of its financial plan.

According to the Nationwide Building Society, March 2022 saw a further acceleration in annual house price growth to 14.3%, the strongest pace of increase since November 2004. Prices are now 21% higher than before the pandemic struck in early 2020. The housing market has retained a surprising amount of momentum given the mounting pressure on household budgets and the steady rise in borrowing costs. A combination of robust demand and limited stock of homes on the market has kept upward pressure on prices. Most forecasters expect the pace of growth to slow as inflation and interest rates rise further. The Board remains mindful of sales risk and has previously reduced Hastoe's development programme and exposure to open market sales.

The Building Safety Law received Royal Assent in April 2022 and aims to deliver a new safety regime and accountability structure, particularly for higher risk high-rise buildings. The Law also provides for a New Homes Ombudsman scheme to resolve disputes between developers and consumers. Hastoe owns three properties over 18 metres tall, none of which are clad with aluminium composite material.

STRATEGIC REPORT (CONTINUED)

The Fire Safety Act came into force in May 2022 and clarifies that the Regulatory Reform (Fire Safety) Order 2005 applies to the structure and external walls and any common parts of any building containing two or more sets of domestic premises.

The 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. Draft clauses of new regulatory consumer standards were published in March 2022, which include a consumer issues inspections regime for the largest landlords; new Tenant Satisfaction Measures that all landlords will be required to report on; and stronger enforcement powers for the Regulator of Social Housing. The Regulator of Social Housing has been tasked with introducing the new set of Tenant Satisfaction Measures to take effect from 1 April 2023.

The Planning for the Future White Paper was published in March 2020 and proposed 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. The updated National Planning Policy Framework includes a greater emphasis on beauty and design alongside the National Model Design Code. Digitising of the planning system is underway and First Homes are being introduced to support home ownership. The introduction of First Homes, particularly First Homes Exception Sites, and uncertainty with the delayed planning proposals is likely to reduce land supply opportunities for rural communities, at least in the short term.

A White Paper on ‘Levelling Up in the UK’ was issued for consultation in Feb 2022 and may have implications for future planning. It addresses general issues such as transport and health inequalities in rural areas but with a commitment to fund only improving digital connectivity. Instead, the government intends to publish a second report on rural proofing in spring 2022. This report is expected to set out how government departments are working to support levelling up in rural areas, using targeted approaches to strengthen the rural economy, develop rural infrastructure, deliver rural services and manage the natural environment.

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 in 2021 launched the Hastoe New-Build Standard which is designed to meet the anticipated Future Homes Standard and illustrate how rural housing associations are already leading the way on standards relating to energy efficiency, quality and design.

The Government’s 2019 manifesto committed £3.8bn to a Social Housing Decarbonisation Fund (SHDF) over a 10-year period. The aim of the SHDF is to provide funding to encourage and enable social housing providers to conduct retrofitting work and help them achieve their decarbonisation ambitions. Specifically, it seeks to ensure that a significant amount of the social housing stock that is currently below EPC C is brought up to that standard. The first wave of funding was offered to local authorities in 2021. A second wave of the fund, for which housing associations will be able to bid directly, is due to be launched in 2022 and will be worth £800m across three years. Approximately 75% of Hastoe’s rented properties are rated as EPC C or above. The Board is aiming for all its rented properties to meet a minimum of EPC C by 2030. The Board has begun marketing five urban schemes for sale, which include the Group’s three properties over 18 metres. The Board’s view is that, due to Hastoe’s rural specialism, other associations may be better placed to manage Hastoe’s high-rise and more complex urban schemes.

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.

STRATEGIC REPORT (CONTINUED)

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 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.
Rent Controls	Political or economic changes, potentially as a result of the cost of living crisis, 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% until 2025. The Board reviews the financial plan, and associated stress testing, to gain assurance of the Group's long-term financial viability.
Customer Service and Repairs Contractor Delivery	The 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 relocated its telephone contact centre with the aim of reducing staff turnover. A new Property Services Director role was created in 2021 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.
Inflation / Procurement costs	Significant increases in procurement costs due to supply chain issues, labour shortages and rising inflation. The Board reviews the financial plan, and associated stress testing, to gain assurance of the Group's financial viability in a variety of high inflation scenarios. The Board can also delay or reduce its development programme, if rising costs result in investment hurdle rates not being met.

STRATEGIC REPORT (CONTINUED)

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	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Total Turnover	**33,736**	**31,598**	**34,072**	**32,754**	**34,331**
Income from social housing lettings	30,140	29,356	28,597	28,402	28,355
Surplus on first tranche and open market property sales	275	153	510	371	1,340
Gain on disposal of properties	2,234	1,166	1,026	1,685	3,763
Operating Surplus	**14,899**	**14,415**	**12,472**	**14,061**	**18,197**
Net interest costs	(11,324)	(11,328)	(10,996)	(11,296)	(10,589)
Movement in fair value of investment properties	52	-	-	-	-
Surplus Before Tax	**3,627**	**3,087**	**1,476**	**2,861**	**6,658**

Operating Margin	**44%**	**46%**	**37%**	**43%**	**53%**
Operating margin on social housing lettings	41%	45%	38%	44%	47%
Interest Cover*	**1.7**	**1.6**	**1.5**	**1.6**	**2.0**
EBITDA MRI Interest Cover**	**1.6**	**1.1**	**1.3**	**1.1**	**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 £3.6m (2021: £3.1m) at an operating margin of 44% (2021: 46%). The surplus for the year reflected a higher level of expenditure on routine maintenance and major repairs, due in part to a catch up from the previous year that was affected by Covid-19 restrictions, offset by an increase in the gain on disposal of properties and the reversal of impairment charges.

The operating margin fell slightly but remained comfortably above 40%, due to the gain on the disposal of properties almost doubling to £2.2m (2021: £1.2m). Excluding the gain on the disposal of properties, the operating margin fell to 38% (2021: 42%), as a result of the additional maintenance expenditure referred to above.

In 2020/21, a provision of £3.9m was made for constructive obligations 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 has been seeking remedy from the contractors. The provision has been fully reversed in the current year due a settlement agreement reached with one contractor, who has agreed to complete the necessary remedial works at no cost to Hastoe, and confirmation received regarding an NHBC warranty on the other two schemes. The release of the provision has resulted in the reversal of the £875k associated impairment charge that was made in 2020/21. This has been partially offset by the inclusion of a £175k impairment charge in the current year due to the failure of a contractor that resulted in the need to procure an additional contract to complete the works on a scheme.

The level of EBITDA MRI interest cover of 1.6 times (2021: 1.1 times) has been affected by the inclusion and then release of the provision for fire safety remedial works. Excluding the impact of the provision, the EBITDA MRI cover was 1.3 times for the year (2021: 1.4 times).

Delays that stem from the lockdown restrictions have contributed to a slowing of the development programme over the last two years. The number of completed new build homes has increased in the current year but remains below target. Consequently the level of first tranche sales remains relatively low. Turnover from first tranche and open market property sales was £1.8m (2021: £0.7m) and generated a margin of 15% (2021: 22%).

STRATEGIC REPORT (CONTINUED)

The increase in the turnover from social housing lettings to £30.1m (2021: £29.4m) 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 rose by 10% in the year, due to the increase in repairs and maintenance expenditure referred to above. As a result, the operating margin on social housing lettings fell to 41% (2021: 45%).

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	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fixed assets at cost or valuation	426,316	422,449	417,037	417,660	410,829
Net current assets / (liabilities)	23	10,684	12,651	17,635	(2,588)
Total assets less current liabilities	**426,339**	**433,133**	**429,688**	**435,295**	**408,241**
Creditors and provisions - over one year	359,872	370,736	368,839	378,411	352,421
Revenue reserve	66,467	62,397	60,849	56,884	55,820
	426,339	**433,133**	**429,688**	**435,295**	**408,241**

Net Debt* : total assets less current liabilities	50%	48%	50%	50%	53%
Debt ** per unit owned	£30,330	£31,247	£31,955	£32,757	£30,556
Debt *** : revenue	6.7	7.3	6.9	7.3	6.5
Liquidity ****	1.0	1.7	1.9	2.2	0.8
Total units owned and managed	**7,737**	**7,681**	**7,669**	**7,630**	**7,595**

* *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 £408m (2021: £404m). 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. The increase in the debt to revenue measure of gearing in the 2021 financial year was as a consequence of a comparatively low level of first tranche sales income in that year. Scheduled loan repayments of £5m were made in the year, reducing the Group's drawn debt to £225m (2021: £230m).

Net current assets fell during the year due to the utilization of £9m of cash and short-term investments to fund development and the £5m scheduled loan repayments.

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 30. A SHPS defined contribution scheme remains available to existing and new members of staff.

STRATEGIC REPORT (CONTINUED)

Treasury management

The Group's 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 £263m. Available liquid resources of £50m (cash holdings of £12m 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 only around 20% 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, 94% of debt was fixed rate and 6% 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.

In January 2022, Moody's Investor Service reconfirmed the Group's A3 credit rating, with a stable outlook.

Cash inflows and outflows during the period are shown in the Group cash flow statement on page 32.

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 is 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 nine unsold shared ownership homes in stock, only one of which had been available for sale for more than 30 days. There were a further two homes held in stock that are being sold to a local authority.

Cash spent on new homes amounted to £11.3m 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 backlogs caused by the Covid-19 pandemic.

Performance indicator	2021/22 actual units	2021/22 target units	2020/21 actual units
New Homes - starts on site	31	143	61
New Homes – completed	60	77	20
Sales – shared ownership first tranche	15	21	4
Sales – open market sales	1	0	1

STRATEGIC REPORT (CONTINUED)

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. The VFM targets are derived from the Board approved financial plan.

	2021/22 outturn	2020/21 outturn	VFM Target	VFM Target Met	Top quartile	Median
Reinvestment	2.3%	2.6%	> =7.3%	✗	8.2%[1]	5.8%[1]
New Supply Deliver - Social	1.1%	0.4%	>= 1.5%	✗	2.0% [1]	1.3%[1]
New Supply Delivered - Non-Social	0.0%	0.0%	>= 0.0%	✓	0.09%[1]	0%[1]
Gearing	53.4%	53.1%	<= 52%	✗	53.3%[1]	43.9%[1]
Debt : Revenue	6.7	7.3	<= 6.8	✓	-	4.0[1**]
EBITDA MRI Interest Cover	162%	111%	>= 129%	✓	248%[1]	183%[1]
Social Housing Interest Cover	106%	114%	>= 110%	✗	-	139%[1**]
Operating Margin *	38%	42%	>= 38%	✓	28.2%[1]	23.9%[1]
Net Margin *	4%	6%	>= 5%	✗	-	13.1%[1**]
Return on Capital Employed (ROCE)	3.5%	3.3%	>= 3.2%	✓	4.2%[1]	3.3%[1]

1 Regulator of Social Housing: Global Accounts including value for money metrics and reporting 2021
* Excluding the gains from the disposal of properties
** Mean average

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 2.3% of the cost of the Group's existing assets (3.3% excluding the effect of the reversal of the provision for fire safety remedial works). 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 was the impact of the Covid-19 restrictions, which has reduced the level of expenditure in the last two years on both new build homes and capitalised repairs on existing homes. In the year, the number of homes owned by Hastoe grew by 1.1% as a result of new build developments, as compared to a target of 1.5%.

Hastoe has built a significant portion of its social housing over the last fifteen years and, as a result, accumulated comparatively high debt levels. The result is relatively low interest cover ratios and relatively high gearing ratios. The Group's ratio of debt to revenue fell slightly in the year to 6.7 times but remains significantly higher than the average for social housing providers at 31 March 2021 of 4.0 times.

The ability to meet the interest costs, as measured by EBITDA MRI interest cover, rose to 162% in the year (2021: 111%). Excluding the effect of the release of provision for fire safety remedial works, the EBITDA MRI interest cover was 129%, slightly below the level targeted. The ratio remains significantly lower than the median for the sector of 183%[1], due to Hastoe's comparatively high level of debt.

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STRATEGIC REPORT (CONTINUED)

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 decreased in the year to 106% (2021: 114%), due to the increase in expenditure on repairs and maintenance and, as a result, was below target. For the same reasons, the net margin fell in the year and at 4% (2021: 6%) was below the 5% target

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 management model provides an efficient and effective response to the dispersed nature of its stock. The operating margin (excluding the gains from the disposal of properties) of 38% compares favourably with the upper quartile performance in the housing sector of 28%[1]. Despite the additional expenditure on repairs and maintenance, the operating margin was above the level targeted due to the reduced level of first tranche sales, with its associated lower margins.

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 remained broadly level at 3.5% (2021: 3.3%). The median ROCE for the social housing sector was 3.3% in 2020/21. 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 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 (1.3% - 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 10% by 2024/25.

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. The Hastoe New Build Standard 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.

The Board has reviewed the level of investment required to maintain the Group's housing stock. The data, assumptions and lifecycles have been independently verified by a third-party consultancy. The required level of 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.

STRATEGIC REPORT (CONTINUED)

Performance indicator	2021/22 outturn	2021/22 target	Benchmark (where available)	2020/21 outturn
Customers satisfied with the way their call was dealt with	67%	70%	87%[1]	62%
On-line transactions	38%	40%	-	41%
Urgent repairs completed on time	85%	95%	-	87%
Re-let times (excluding major works)	29 days	20 days	48 days [1]	62 days
Current tenant rent arrears – general needs	2.4%	2.5%	3.0% [1]	2.5%
Current rent arrears – shared ownership	1.2%	1.5%	-	1.3%
Void losses	0.9%	0.5%	1.9% [2]	0.9%
Gas safety compliance	100%	100%	99.98%	100%
Homes meeting the Decent Homes Standard	100%	100%	-	100%

1 Housemark all traditional housing associations benchmarking 2020/21 (reported extracted 6 August 2021) - median
2. 2021 Global Accounts of private registered providers - mean

Performance continued to be impacted by Covid-19 in the year, although to a lesser extent than in 2020/21. The benchmark data relates to performance in 2020/21.

A satisfaction survey, conducted by an independent firm in 2020, using the STAR methodology, found that whilst 83% of Hastoe's customers felt that their home was safe and secure, only 65% were satisfied with the service Hastoe provided. The Board continues to focus on improving customer satisfaction and has instructed another survey to be conducted later in 2022.

Satisfaction with the call centre improved in the year but remains below both Hastoe's target and performance levels recorded elsewhere in the sector. In early 2022, the call centre was relocated to Hastoe's Dorchester office in the expectation that the area's more stable employment market would reduce staff turnover, which has had a detrimental effect on performance. Further development of Hastoe's digital services has helped maintain the proportion of on-line transactions at close to the target level of 40%. .

The percentage of urgent repairs completed on time was also below target and was particularly impacted by the under performance of two of Hastoe's six main responsive repairs contractors. Hastoe continues to work with its contractors to deliver improvements to this service, with regular reports on progress being monitored by the Board.

Re-lets times fell during the year, after the effects of the Covid-19 pandemic began to diminish, with performance in the second half of the year close to the target of 20 days. Improved, more automated processes, are due to be introduced in the coming year and are expected to support the return to performance in the top quartile for the sector and bring void rent losses down to the target level of 0.5%.

The Group's arrears performance improved slightly in the year to 2.4% and remains in the top quartile for the sector. Shared ownership arrears also fell marginally in the year to 1.2%, well within the target of 1.5%. Hastoe continues to support its residents to pay their rents and has dedicated staff that offer welfare benefit advice.

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 2022 and 31 March 2021.

STRATEGIC REPORT (CONTINUED)

Social housing margin and costs	2021/22 outturn	2020/21 outturn	Top Quartile	Median
Social housing lettings operating margin	40.7%	44.8%	31.3%[1]	25.5%[1]
Social housing cost per unit	£2,284	£3,178	£3,233[1]	£3,891[1]
Management cost per unit	£653	£622	£810[1]	£1,069[1]
Maintenance cost per unit (including capitalised repairs)	£1,202	£2,138	£1,257[1]	£1,726[1]
Service charge cost per unit	£285	£218	£224[1]	£426[1]

1. Housemark: Sector scorecard analysis report 2021

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. The Group's management model provides an efficient and effective response to the dispersed nature of its stock.

Hastoe's maintenance cost per unit has been distorted by the inclusion within capitalised repairs of a provision for fire safety works not yet undertaken. The £3.9m provision increased the reported amount of capitalised repairs in 2020/21 and the reversal of the provision in 2021/22 led to a reduction in the reported level of capitalised repairs. Excluding the provision, the social housing cost per unit and maintenance cost per unit were £3,050 and £2,405, respectively. 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:

	2022/23	2023/24	2024/25
EBITDA MRI* interest cover	128%	139%	132%
Social housing interest cover	112%	119%	124%
Operating margin **	39%	40%	40%
Operating margin on social housing lettings	41%	42%	43%
Net margin **	6%	11%	10%
Gearing	53%	53%	53%
Gearing (debt / revenue)	6.7	6.5	6.6
New supply delivered (social housing)	1.5%	3.1%	1.9%
New supply delivered (non-social housing)	0%	0%	0%
Reinvestment	8.6%	8.7%	7.6%
Return on Capital Employed	3.5%	3.6%	3.6%

* 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 217 homes by March 2023 (100 starts on site 2024, 115 starts on site 2025).
- Achieving customer satisfaction of 75% by December 2023.
- Maintaining the percentage of on-line customer contact, that increased due to Coronavirus related service restrictions, at 40% for the year ending 31 March 2023.
- Reducing re-let times to under 20 days by March 2023.
- Retaining staff satisfaction levels above 90% during 2023.

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.

BOARD REPORT

The Board

The Board has identified a required skills mix to deliver the ambitions within the Corporate Plan. To meet this requirement, the board members are drawn from a wide background, providing a variety of professional and commercial experience. The Board delegates certain governance responsibilities to Group committees, which have their own approved terms of reference. Hastoe's Board is comprised entirely of non-executive directors. Day-to-day performance management is carried out by the executive directors who act under the delegated authority of the Board.

The Board requires each director to inform the Company Secretary if he or she has an interest that ought to be declared. Such interests include offices held in other organisations but also extend to other matters that could affect the individual director's conduct. Interests are recorded in a register that is reviewed by the Nomination Committee. None of the non-executive directors have served more than nine years on the Board. The Board has satisfied itself that all non-executive directors remain independent.

The Board regularly considers the appropriateness of the governance code it adopts. The Association previously followed the recommendations of the NHF Code of Governance (2015 edition). During the year, the Board undertook a detailed review, facilitated by Altair Limited, and as a result decided to adopt the UK Corporate Governance Code 2018 (UKCGC), with effect from 1 March 2022. The Board considered its compliance with the UKCGC and identified the areas listed in the table below that are not applicable to Hastoe as a registered provider and Registered Society under the Co-operative and Community Benefit Societies Act 2014.

Code Principle/Provision	Explanation
Provision 3 – regular engagement with major shareholders	Hastoe has no major shareholders. All shareholders have an equal, nominal share of £1. Shareholdings are restricted to the current members of the Board.
Provision 4 – consultation with shareholders following 20% or more votes cast against the Board	Shareholdings are restricted to the current members of the Board.
Provision 5 – report on stakeholder interests and the matters set out in s.172 of the Companies Act 2006.	Hastoe is not required to adhere to the Companies Act 2006.
Provision 30 – half-yearly financial statements	Hastoe is not required to produce half-yearly statements.
Provision 36 – Remuneration schemes should promote long-term shareholdings by Executive Directors.	Hastoe's Board is comprised entirely of non-executive Directors. The executive directors act under delegated authority from the Board. The executive directors are not shareholders.

With exception of the provisions above, the Board has concluded that Hastoe is compliant with the UKCGC, as far as they can be reasonably applied to a Registered Provider and Registered Society.

BOARD REPORT (CONTINUED)

Attendance at Board and Committee meetings for the year ended 31 March 2022 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
John Bruton	7 (7)	2 (2)	-
Ed Buscall	7 (7)	-	5 (5)
Martin Huckerby	7 (7)	4 (4)	-
Lisa Hughes	7 (7)	4 (4)	-
Omadevi Jani	7 (7)	1 (1)	-
Andy Moore	7 (7)	-	3 (3)
Lindy Morgan	1 (1)	-	-
Julie Pearce-Martin	7 (7)	-	-
Chris Parsons	7 (7)	-	-
Anne Perkins	6 (7)	-	4 (5)
Richard Quallington	6 (7)	-	5 (5)
Robert Rutledge	5 (7)	4 (4)	-
Andrew Wiseman	7 (7)	2 (3)	2 (2)

At least every three years, the Board undertakes a formal review of governance effectiveness. The next review is due to take place later this year.

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

	2022	**2021**
	£	**£**
John Bruton *	4,633	-
Ed Buscall	11,750	11,750
Martin Huckerby	7,000	7,000
Lisa Hughes	5,610	5,610
Omadevi Jani *	4,490	-
Andy Moore	4,088	4,750
Lindy Morgan *	104	-
Julie Pearce-Martin *	4,750	4,750
Chris Parsons *	4,750	4,750
Anne Perkins *	4,750	4,750
Richard Quallington	7,000	7,000
Robert Rutledge	5,610	5,610
Andrew Wiseman	5,323	5,610
	69,858	61,580

* appointed during 2021/22.

Insurance policies indemnify Board members and officers against liability when acting for the Group. After taking appropriate legal advice, Hastoe has provided a deed of indemnity to its Board members and officers (and those of its subsidiaries) to supplement the insurance cover.

The Group Committees that supported the Board and governance arrangements during the year were the Audit & Risk Committee and Remuneration & Nomination Committee. From 1 April 2022, the Board made the decision to split the Remuneration & Nomination Committee into two separate committees. The Chair of the Board acts as the Chair of the Nomination Committee and the Deputy Chair of the Board acts as the Chair of the Remuneration Committee.

BOARD REPORT (CONTINUED)

Audit & Risk Committee

The Committee is 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. It also oversees, reviews and monitors the Group's application of accounting policies and standards, the appointment and remuneration of the external auditors and the resources and work programme of the internal auditors.

The members of the Committee during the year were: Martin Huckerby (Chair), John Bruton (from 1 October 2021), Lisa Hughes, Omadevi Jani (from 1 December 2021), Robert Rutledge and Andrew Wiseman (until 30 November 2021).

The Committee receives and reviews reports from the internal auditors on a regular basis. The programme of reports reviewed in the year is informed by, and aligned with, the Corporate Plan and an analysis of business risk. The external auditors submit reports to the Committee when appropriate. The Committee also reviews regular reports from management on the operation of controls throughout the business. It takes initiatives to satisfy itself that risk avoidance measures are fully embedded within the Group structure and to determine the effectiveness of management actions. The Committee meets separately with representatives of the internal auditors and external auditors on at least one occasion in each year without any members of management being present.

The appointment of the Group's auditors is a matter reserved to the Group board. The decision is reached with the benefit of a recommendation from the Audit & Risk Committee working alongside the Group Finance Director. Following a tender exercise in 2018, BDO were appointed for a period of five years, subject to an annual review of performance, commencing with the audit of the 2018/19 financial year. At the close of each financial year, the Committee receives a report on the external audit process and reports to the Group board its findings regarding the independence and effectiveness of the external audit process. The Group has instructed BDO to carry out £16,000 (2021: £15,000) of non-audit work in the year where advantages of efficiency, cost or expertise were identified. The Audit & Risk Committee monitors the nature and scale of such instructions during the year and its approval is required for non-audit fees. As a result of these control mechanisms, the Board is satisfied as to the independence of the external auditor.

Matters of significant importance and risk to the Group financial statements were presented to and agreed by the Committee. Discussions were also held with the external auditor to ensure that resolutions of these areas were in line with accounting and auditing standards. The main areas for discussion were the provision for fire safety remedial works and related impairment, along with an impairment provision that resulted from a contract failure on a scheme in development.

The Committee has reviewed management's assessment of going concern and concluded that the assessment was adequate, robust and provided sufficient evidence to support the going concern assumption. After reviewing reports from management and consulting with the auditors, the Committee was satisfied that the financial statements appropriately address the significant critical judgements and key estimates, both in respect of the amounts reported and disclosures.

BOARD REPORT (CONTINUED)

Remuneration & Nomination Committee

The Committee is 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.

The members of the Committee during the year were: Richard Quallington (Chair), Ed Buscall, Andrew Moore (until 30 November 2021), Anne Perkins and Andrew Wiseman (from 1 December 2021).

Non-Executive Directors

The Committee reviewed the required skills mix for the Board and the succession plan twice during the year and then acted upon identified recruitment needs. Board recruitment is an open process via advert or the use of an external search consultancy. Taking into account the recommendation of the Committee, the Board selects the best candidate for any vacancy and has no targets for board composition by reference to gender, ethnicity, sexual orientation or any other diversity measurement. However, the Committee is proactive in seeking to candidates for interview whose presence on the Board would add to its diversity. The Board has an equality, diversity and inclusion policy and strategy that aim to ensure that the Group's services are delivered in an inclusive way that does not discriminate against any specific group or people with protected characteristics.

On 11 May 2022, Hastoe's Chair, Ed Buscall, retired after serving nine years on the Board. During the preceding year, the Committee used an external search consultancy, Odgers Berndtson, to identify candidates to succeed as Chair. After a robust process that involved the whole Board, Lindy Morgan was selected. Lindy Morgan joined the Board on 24 March 2022 and was elected as Chair on 12 May 2022, having been through a thorough induction and handover process with outgoing Chair.

Board member emoluments are subject to a triennial review. In December 2021, the Committee reviewed a report it had commissioned from Altair Limited that provided benchmarks for board member emoluments in the housing sector. The Board accepted Altair Limited's recommendations, which apply to board member emoluments from 1 April 2022.

The Committee considers the performance of the Board and its Committees on annual basis. At least every three years, the Board undertakes an externally facilitated review of governance effectiveness. The next review is due to take place later this year.

Non-executive directors are subject to an annual individual appraisal and annual reappointment. The objectives and appraisal of the chief executive are reviewed by the Committee each year.

Executive Directors

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

The emoluments of the executive directors are disclosed in note 10. The Committee approves a salary & allowances policy that aims to set executive director salaries at the market median. Altair Limited provided a review of executive pay and benefits review in January 2022. The Committee considered their report and advised the Board to accept Altair's recommendations. The executive directors are employed on the same terms as other staff. Their notice periods are six months.

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

BOARD REPORT (CONTINUED)

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 2021 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 2022 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 2021, 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 (CONTINUED)

Going concern statement
The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. In March 2022 the Board approved the budget for 2022/23 and the long-term financial plan. The long-term financial plan builds on the 2022/23 budget as the base year and includes detailed single and multi-variate stress testing. The stress testing considered a variety of high inflation scenarios, combined with restrictions upon the level of rent increases that could be applied. The plan meets the requirements of Hastoe's banking covenants throughout. The stress testing also indicates that there is sufficient headroom on covenants to allow for remedial action to be taken in the event of adverse external conditions or if the assumptions used in the plan change.

Hastoe has sufficient liquidity (cash holdings of £12m and undrawn loan facilities of £38m) to meets its current commitments and manages future spending plans to ensure that it maintains the liquidity buffers required by the Group's Treasury Policy.

The Board has concluded that there is a reasonable expectation that Hastoe has adequate resources to continue in operational existence for more than twelve months from the date of this report. For this reason, it continues to adopt the going concern basis in the financial statements.

Viability statement
As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Hastoe taking account of its current position and principal risks. This assessment was made using Hastoe's key financial and risk management processes, including the following:

Long Term Financial Plan (LTFP) – the Board reviews and approves a LTFP each year, which compares expected performance to a set of risk appetite metrics, including golden rules. The LTFP is subject to stress testing using scenarios developed by the Board, after due consideration of the prevailing internal and external risks facing the Group.

Risk management – as set out in the Risk section of the Strategic Report, Hastoe has a structured approach to the management of risk and the principal risks identified are reviewed regularly by Board.

Liquidity – the Board approved Treasury Policy sets out minimum levels of liquidity. These levels are compared to the output of the LTFP and the cash flow forecasts that the Board regularly reviews.

In undertaking this review, a period of three years has been selected, as this aligns with the normal timeframe of the Group's corporate plan and underlying strategies, such as the Development Strategy. For the initial year of this three-year period there is a greater degree of certainty due to the preparation and monitoring of the annual budget and regular re-forecast. Quarterly cash flow forecasts are reviewed by the Board covering a rolling three-year period, and are used to ensure sufficient facilities are in place.

The Board has identified the tightening of rent control by government as one of its principal risks. The LTFP is sensitive to future rent assumptions and combination of a tightening rent control at a time when costs are escalating, due to inflationary pressures, would have the effect of reducing the financial capacity of Group to build new homes and to maintain the existing stock to the standard that the Board aspires to. However, a continued application of the current Rent Standard until 2025, is forecast to result in a robust financial performance for the period of the viability review.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that Hastoe will be able to continue in operation and meet its liabilities as they fall due over the over the period to March 2025.

In making this statement the Board understands that there is inherent uncertainty in all business planning and therefore, as a result, it is not possible to consider every risk and eventuality that the Group may face.

BOARD REPORT (CONTINUED)

Annual general meeting
The annual general meeting will be held on 22 September 2022 at 17 Carlton House Terrace, St James's, London, SW1Y 5AS.

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 and signed on its behalf by:

Lindy Morgan
Chair

STATEMENT OF RESPONSIBILITIES OF THE BOARD

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

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply 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. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018. Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 2022 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 2022.

We have audited the financial statements of Hastoe Housing Association Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of changes in reserves, the consolidated and Association statement of financial position, the consolidated statement of cash flows 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 & Risk Committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board on 7 February 2019 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ending 31 March 2019 to 31 March 2022.

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. 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:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern
- We considered the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We compared management's forecasts against post year-end management accounts to assess their accuracy to date

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

- We assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing, and
- We reviewed the wording of the going concern disclosures and assessed its consistency with management's forecasts.

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 Group and the Parent Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Association's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Board's statement in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting.

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</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>2022</td><td>2021</td></tr>
<tr><td>KAM 1: The recoverable amount of property developed for sale</td><td>✓</td><td>x</td></tr>
<tr><td>KAM: 2: Provisions for remedial fire safety works</td><td>x</td><td>✓</td></tr>
</table>

KAM 2 is no longer considered to be a key audit matter at 31 March 2022 as there is now greater clarity as to the likely delivery of these works.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£1.4m (2021: £1.3m) based on 8% (2021: 7.5%) of adjusted operating surplus as defined the group's/entity's lending covenants.</td></tr>
</table>

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. 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.

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

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.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>The recoverable amount of property developed for sale

Stock accounting policy - Note 2

Stock balance of £1.5m presented - Note 16</td><td>As explained in the accounting policies as per Note 2, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £1.5m. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the volume of properties developed for sale and the level of judgement involved there is inherent estimation uncertainty for both sales proceeds and costs to complete, we consider there is a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.</td><td>Our response included the following:
• Having obtained management's assessment of the net realisable value of properties developed for sale, we selected a sample on which to perform detailed testing. Our samples were chosen from the populations of items that represented both developments under construction and completed developments at year-end.
• For the selected completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold, we obtained third-party housing market information in relation to the same locality to confirm that properties were held at the lower of cost and net realisable value.
• For the selected properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the estimated amount at that date.
• We assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on a sample of schemes that completed in the year.
• We considered the impact of sensitivities in management's forecasts to increases in build costs.
• We also considered other current factors including the status of its construction, contractual arrangements and testing undertaken to validate the accuracy of costs to complete.

Key observations:

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.</td></tr>
</table>

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

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**	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	1.4	1.3	1.4	1.3
Basis for determining materiality	8% (2021: 7.5%) of adjusted operating surplus as defined the group's/entity's lending covenants.			
Rationale for the benchmark applied	The benchmark used for determining materiality is adjusted operating surplus. 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.			
Performance materiality	1.0	0.9	1.0	0.9
Basis for determining performance materiality	We have set performance materiality at 75% (2021: 72%)			

Component 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 £88k to £348k. In the audit of each component, we further applied performance materiality levels of 75% 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 & Risk Committee that we would report to them all individual audit differences in excess of £72k (2021: £63k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

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

We have nothing to report in this regard.

Corporate Governance statement

As the Association has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Association's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Going concern and longer term viability	• The Board's statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on pages 19. • The Board's explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on pages 19.
Other Code provisions	• Board's statement on fair, balanced and understandable as set out on page 14; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 6; and • The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 18. • The section describing the work of the Audit & Risk Committee. As set out on page 16, the Directors consider that it is impracticable to have a separate audit committee for the Company.

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 and 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;
- a satisfactory system of control has not been maintained over transactions;
- 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 statement of responsibilities of the Board, 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.

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

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 Association 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.

Audit procedures performed by the engagement team included:

- Making enquiries of management and those charged with Governance about whether the entity is in compliance with laws and regulations, 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;
- Inspecting any relevant regulatory and legal correspondence;
- Reviewing items included in the fraud register;
- 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
    - Costs to complete and recoverable amount of housing properties developed for sale
    - 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
    - Useful Economic Lives 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.

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

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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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
Gatwick
United Kingdom

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

		GROUP		ASSOCIATION	
		2022	**2021**	**2022**	**2021**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	3	33,736	31,598	34,269	31,746
Cost of sales	3	(1,533)	(545)	(1,533)	(312)
Operating expenditure	3	(19,538)	(17,804)	(19,935)	(18,174)
Surplus on disposal of housing properties	6	2,234	1,166	2,234	1,166
Operating surplus	**5**	**14,899**	**14,415**	**15,035**	**14,426**
Interest receivable	7	35	38	177	180
Interest payable and financing costs	8	(11,359)	(11,366)	(11,359)	(11,370)
Qualifying charitable donations		-	-	-	23
Movement in fair value of investment properties	14	52	-	52	-
Surplus before taxation		**3,627**	**3,087**	**3,905**	**3,259**
Taxation	11	-	604	-	604
Surplus for the year		**3,627**	**3,691**	**3,905**	**3,863**
Actuarial gain / (loss) in respect of pension schemes	30	443	(2,143)	443	(2,143)
Total comprehensive income for the year		**4,070**	**1,548**	**4,348**	**1,720**

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

The notes on pages 33 to 65 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES - GROUP

For the year ended 31 March 2022

Group	Income & expenditure reserve	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Balance as at 1 April 2021	62,090	307	62,397
Surplus for the year	3,627	-	3,627
Actuarial gain on defined benefit pension scheme	443	-	443
Total comprehensive income for the year	**4,070**	**-**	**4,070**
Balance as at 31 March 2022	**66,160**	**307**	**66,467**

For the year ended 31 March 2021

Group	Income & expenditure reserve	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Balance as at 1 April 2020	60,542	307	60,849
Surplus for the year	3,691	-	3,691
Actuarial loss on defined benefit pension scheme	(2,143)	-	(2,143)
Total comprehensive income for the year	**1,548**	**-**	**1,548**
Balance as at 31 March 2021	**62,090**	**307**	**62,397**

STATEMENT OF CHANGES IN RESERVES – ASSOCIATION

For the year ended 31 March 2022

Association	Income & expenditure reserve	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Balance as at 1 April 2021	66,481	307	66,788
Surplus for the year	3,905	-	3,905
Actuarial gain on defined benefit pension scheme	443	-	443
Total comprehensive income for the year	**4,348**	**-**	**4,348**
Balance as at 31 March 2022	**70,829**	**307**	**71,136**

For the year ended 31 March 2021

Association	Income & expenditure reserve	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Balance as at 1 April 2020	64,761	307	65,068
Surplus for the year	3,863	-	3,863
Actuarial loss on defined benefit pension scheme	(2,143)	-	(2,143)
Total comprehensive income for the year	**1,720**	**-**	**1,720**
Balance as at 31 March 2021	**66,481**	**307**	**66,788**

The notes on pages 33 to 65 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2022

		GROUP		ASSOCIATION	
	Notes	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Fixed assets					
Tangible fixed assets - housing properties	12	418,293	414,266	418,500	414,306
Other tangible fixed assets	13	3,719	3,930	3,686	3,891
Investment properties	14	4,305	4,253	4,305	4,253
Other investments	15	-	-	550	550
Total fixed assets		**426,316**	**422,449**	**427,041**	**423,000**
Current assets					
Properties held for sale	16	1,508	1,972	1,508	1,615
Trade and other debtors	17	2,880	2,852	6,942	6,863
Short term investments		4,300	8,300	4,300	8,300
Cash and cash equivalents		7,463	12,116	7,285	11,995
		16,151	**25,240**	**20,035**	**28,773**
Creditors: amounts falling due within one year	18	(16,128)	(14,556)	(16,068)	(14,249)
Net current assets		23	10,684	3,967	14,524
Total assets less current liabilities		426,339	433,133	431,008	437,524
Creditors: amounts falling due after more than one year	19	(357,362)	(363,466)	(357,362)	(363,466)
Provisions and other liabilities	23	-	(3,885)	-	(3,885)
Pension liability	30	(2,510)	(3,385)	(2,510)	(3,385)
Net assets		**66,467**	**62,397**	**71,136**	**66,788**
Capital and reserves					
Share capital - non equity	24	-	-	-	-
Income & expenditure reserve		66,160	62,090	70,829	66,481
Revaluation reserve		307	307	307	307
Total reserves		**66,467**	**62,397**	**71,136**	**66,788**

The notes on pages 33 to 65 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and signed on its behalf by:

L Morgan
Chair

M Huckerby
Board member

W Roberts
Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cashflows from operating activities		
Operating surplus	14,899	14,415
Depreciation and impairment	5,226	6,725
Movement in pension liabilities	(432)	(491)
Amortisation of social housing grant	(1,843)	(1,791)
Cost of disposed of properties	1,124	740
Decrease in provisions	-	(901)
Decrease/(increase) in stock	464	(639)
(Increase)/decrease in debtors	(443)	111
Increase in creditors	1,156	613
Tax received	-	604
Net cash from operating activities	**20,151**	**19,386**
Cashflow from investing activities		
Purchase and construction of housing properties	(13,306)	(6,047)
Purchase of other fixed assets	(130)	(200)
Interest received	35	38
Social housing grant received	1,370	2,542
Disposal of short term investments	4,000	400
Net cash from investing activities	**(8,031)**	**(3,267)**
Cashflow from financing activities		
Interest paid	(11,669)	(11,626)
Loans repaid	(5,104)	(4,836)
Net cash from financing activities	**(16,773)**	**(16,462)**
Net change in cash and cash equivalents	(4,653)	(343)
Cash and cash equivalents at start of year	12,116	12,459
Cash and cash equivalents at end of year	**7,463**	**12,116**

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. 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) 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 and the Accounting Direction for Private Registered Providers of Social Housing 2022. 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 Hastoe Housing Association Limited:

- 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 2022 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. In March 2022 the Board approved the budget for 2022/23 and the long-term financial plan. The long-term financial plan builds on the 2022/23 budget as the base year and includes detailed single and multi-variate stress testing. The stress testing considered a variety of high inflation scenarios, combined with restrictions upon the level of rent increases that could be applied. The plan meets the requirements of Hastoe's banking covenants throughout. The stress testing also indicates that there is sufficient headroom on covenants to allow for remedial action to be taken in the event of adverse external conditions or if the assumptions used in the plan change.

Hastoe has sufficient liquidity (cash holdings of £12m and undrawn loan facilities of £38m) to meets its current commitments and manages future spending plans to ensure that it maintains the liquidity buffers required by the Group's Treasury Policy.

The Board has concluded that there is a reasonable expectation that Hastoe has adequate resources to continue in operational existence for more than twelve months from the date of this report. For this reason, it continues to adopt the going concern basis in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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 recognised when service charge expenditure is incurred as this is the point at which the services have been performed. For variable service charges, service charge income is accounted for on the basis of the estimated value of goods or services supplied during the period. The actual amount of the goods and services incurred is 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 publicly 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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.

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	Windows and doors	30 years
Kitchens	15 years	Lifts	25 years
Bathrooms	20 years	Photo voltaic panels	25 years
Central heating systems	20 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

Housing properties (continued)

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 work 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 assets.

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 estimated selling price, less costs to complete and sell. 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. The estimated selling price is assessed using publicly available information and internal forecasts on future sales price.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

Other tangible fixed assets
Other tangible fixed assets are initially recognised at cost, including costs associated bringing with 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.

Impairment of financial assets
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. 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. The resulting impairment loss is recognised as expenditure in income and expenditure. When a subsequent event causes the amount of the impairment loss to decrease, the decrease is reversed and shown as income for the year.

Debtors
Short term debtors are measured at transaction price less attributable transactions costs. 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 less attributable transactions costs. 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.

Sinking Funds
Sinking funds are monies held on behalf of leaseholders for future major repairs; they are recorded in creditors in the balance sheet and the monies are held in separate bank accounts.

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 are included in this definition, where the notice period for withdrawal is 95 days or less.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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 2022, 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.

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.

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 all of the asset lives would increase the depreciation charge by £608,000 (2021: £490,000). Accumulated depreciation at 31 March 2022 was £63,380,000 (2021: £60,374,000).

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 30. A decrease in the discount rate of 0.1% would increase the liability by £338,000. Adding one year to life expectancy would increase the liability by £649,000.

Impairment and Provision
The Association conducted fire risk assessments on its low rise blocks of flats to determine whether remedial works were required. A programme of works was identified and communicated to residents, thereby creating a constructive obligation. In the prior year, there were deemed to be costs that were unlikely to be recovered from third parties, e.g. the original contractor. Where it was assumed that costs could not be recovered, the Association had provided for the estimated liability. These works were capitalised, with the cost of the affected property being increased. The carrying values of the affected properties were compared to the values in use, as determined by calculation of a Depreciated Replacement Cost. The result was an impairment charge of £875,000 that was recognised for these properties in the previous financial year.

It has since been established that the remedial works will either be undertaken by the contractor or covered by a warranty, at no cost to the Association. This has resulted in the full reversal of the provision and related impairment. The provision is set out in note 23. The impairment movement is set out in note 12.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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 £449,000 (2021: £495,000).

Impairment
An assessment for impairment has been carried out for the following indicators

1. Contractor failure

The failure of a contractor resulted in the need to procure an additional contract to complete the works on a scheme. The circumstances led to the total scheme costs exceeding those anticipated at the point the scheme was approved. The total scheme costs have been compared to the value in use, as determined by calculation of a Depreciated Replacement Cost. The result is an impairment charge of £170,000 that has been included as expenditure within the income and expenditure for the year. The impairment movement is set out in note 12.

2. Land held for future development

No impairment has been charged for land held for future development by the group. The estimated selling price less cost of selling 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.

3. Latent defects

Numerous defects on the scheme have resulted in total approved scheme costs of £4.9 million, which exceeds the original budget of £4.4 million. The net book value on the scheme at 31 March 2022 was £3.4 million, with £0.4 million of further works to incur. No impairment provision is required as the Depreciated Replacement Cost of the scheme was £5.2 million at 31 March 2022.

4. Office Requirements

Office space has been under-utilised since the enforced changes to working arrangements as a result of the Covid-19 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

GROUP	Turnover £000	2022 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	30,140	-	(17,874)	12,266
Other social housing activities				
First tranche sales	1,488	(1,245)	-	243
Leasehold ground rent/service charges	79	-	(20)	59
Development costs on abortive schemes	-	-	(45)	(45)
Other development costs not capitalised	-	-	(286)	(286)
Management services	40	-	(38)	2
Community development	-	-	(119)	(119)
Other	-	-	(26)	(26)
	1,607	(1,245)	(534)	(172)
Non social housing activities				
Leasehold/freehold service charges	798	-	(816)	(18)
Open market sale	320	(288)	-	32
Others	871	-	(314)	557
	1,989	(288)	(1,130)	571
Gain on disposal of properties	-	-	-	2,234
	33,736	(1,533)	(19,538)	14,899

GROUP	Turnover £000	2021 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	29,356	-	(16,213)	13,143
Other social housing activities				
First tranche sales	381	(312)	-	69
Leasehold ground rent/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)	(3)
Open market sale	317	(233)	-	84
Other	831	-	(256)	575
	1,740	(233)	(851)	656
Gain on disposal of properties	-	-	-	1,166
	31,598	(545)	(17,804)	14,415

NOTES TO THE FINANCIAL STATEMENTS

3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (CONTINUED)

ASSOCIATION	Turnover £000	2022 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	30,140	-	(17,874)	12,266
Other social housing activities				
First tranche sales	1,488	(1,245)	-	243
Leasehold ground rent/service charges	79	-	(20)	59
Development costs on abortive schemes	-	-	(9)	(9)
Other development costs not capitalised	-	-	(158)	(158)
Management services	782	-	(775)	7
Community development	-	-	(119)	(119)
Others	-	-	(26)	(26)
	2,349	(1,245)	(1,107)	(3)
Non social housing activities				
Leasehold/freehold service charges	798	-	(816)	(18)
Open market sales	320	(288)	-	32
Others	662	-	(138)	524
	1,780	(288)	(954)	538
Gain on disposal of properties	-	-	-	2,234
	34,269	(1,533)	(19,935)	15,035

ASSOCIATION	Turnover £000	2021 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	29,356	-	(16,213)	13,143
Other social housing activities				
First tranche sales	381	(312)	-	69
Leasehold ground rent/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)
Others	-	-	(42)	(42)
	1,178	(312)	(1,291)	(425)
Non social housing activities				
Leasehold/freehold service charges	591	-	(595)	(4)
Open market sales	-	-	-	-
Others	621	-	(75)	546
	1,212	-	(670)	542
Gain on disposal of properties	-	-	-	1,166
	31,746	(312)	(18,174)	14,426

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 AND ASSOCIATION	General Needs	Shared ownership	2022 Total	2021 Total
	£000	£000	£000	£000
Rent receivable net of identifiable service charges	24,352	2,897	27,249	26,528
Service charge income	803	245	1,048	1,037
Amortised government grant	1,748	95	1,843	1,791
Turnover from social housing lettings	26,903	3,237	30,140	29,356
Management	(2,939)	(376)	(3,315)	(3,127)
Service charge costs	(1,107)	(339)	(1,446)	(1,095)
Routine maintenance	(4,582)	-	(4,582)	(3,630)
Planned maintenance	(733)	-	(733)	(903)
Major repairs expenditure	(2,506)	-	(2,506)	(1,683)
Bad debts	(33)	-	(33)	-
Property lease charges	(29)	-	(29)	(206)
Depreciation of housing properties	(5,474)	-	(5,474)	(5,382)
Accelerated depreciation on component disposals	(332)		(332)	(155)
Impairment of housing properties	(170)	-	(170)	(875)
Reversal of impairment housing properties	521	354	875	-
Provision for liabilities	-	-	-	901
Other costs	(129)	-	(129)	(58)
Operating costs on social housing lettings	(17,513)	(361)	(17,874)	(16,213)
Operating surplus on social housing lettings	**9,390**	**2,876**	**12,266**	**13,143**
Void losses	242	-	242	258

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOMMODATION IN MANAGEMENT

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

GROUP AND ASSOCIATION	2021 No.	Additions	Disposals	2022 No.
Social housing				
General needs - social rents	3,292	16	(7)	3,301
General needs - affordable rents	902	24	(1)	925
Shared ownership	823	21	(7)	837
Leasehold	271	-	-	271
Total owned	5,288	61	(15)	5,334
Accommodation managed for others	10	-	-	10
Total owned and managed	5,298	61	(15)	5,344
Non-social housing				
Market rented	8	-	-	8
Leasehold	2,075	10	(2)	2,083
Total owned	2,083	10	(2)	2,091
Accommodation managed for others	300	3	(1)	302
Total owned and managed	2,383	13	(3)	2,393

The Group owns 5 hostels (2021: 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	
	2022 £000	2021 £000	2022 £000	2021 £000
Operating surplus is stated after charging/(crediting):				
Grant amortised	(1,843)	(1,791)	(1,843)	(1,791)
Depreciation – housing properties	5,590	5,493	5,474	5,382
Depreciation – component replacement	334	155	334	155
Depreciation – other fixed assets	339	357	335	351
Impairment housing properties	170	875	170	875
Reversal of impairment housing properties	(875)	-	(875)	-
Operating lease charges:				
- Land & building	30	25	30	25
- Office equipment	24	15	24	15
- Motor vehicles	3	3	3	3
Auditors' remuneration:				
- in respect of audit services	67	65	45	55
- in respect of audit related assurance services	16	15	16	15
Donations	3	2	3	2

NOTES TO THE FINANCIAL STATEMENTS

6. SURPLUS ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	GROUP				ASSOCIATION			
	Shared ownership 2022 £000	**Other 2022 £000**	**Total 2022 £000**	**Total 2021 £000**	**Shared ownership 2022 £000**	**Other 2022 £000**	**Total 2022 £000**	**Total 2021 £000**
Disposal proceeds	1,459	1,689	3,148	1,798	1,459	1,689	3,148	1,798
Cost of disposals	(570)	(126)	(696)	(475)	(570)	(126)	(696)	(475)
Selling costs	(55)	(67)	(122)	(57)	(55)	(67)	(122)	(57)
Grant recycled	(93)	(3)	(96)	(100)	(93)	(3)	(96)	(100)
	741	1,493	2,234	1,166	741	1,493	2,234	1,166

7. INTEREST RECEIVABLE

	GROUP		ASSOCIATION	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**
Interest receivable	35	38	36	38
From subsidiary undertaking	-	-	141	142
	35	38	177	180

8. INTEREST PAYABLE AND FINANCING COSTS

	GROUP		ASSOCIATION	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**
Loans and bank overdraft	11,039	11,254	11,039	11,254
Commitment fee on loans	182	180	182	180
Loan issue costs	120	124	120	124
Movement in amortised cost of financial instruments	145	(36)	145	(36)
Unwinding of discount factor on defined benefit pension liability	68	35	68	35
	11,554	**11,557**	**11,554**	**11,557**
Interest capitalised on construction of housing properties	(195)	(191)	(195)	(187)
	11,359	**11,366**	**11,359**	**11,370**
Capitalisation rate used to determine the finance cost 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	
FTE ANALYSIS	**2022**	**2021**	**2022**	**2021**
	FTE	**FTE**	**FTE**	**FTE**
Administration	24	27	24	27
Development	14	11	14	11
Housing	57	59	57	59
	95	97	95	97

	GROUP		ASSOCIATION	
EMPLOYEE COST	**2022**	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Staff costs (including directors) consist of:				
Wages & salaries	3,871	3,964	3,871	3,964
Social security costs	404	396	404	396
Pension costs	260	256	260	256
	4,535	4,616	4,535	4,616

NUMBER OF EMPLOYEES (FULL TIME EQUIVALENTS) WITH REMUNERATION OVER £60,000

	GROUP AND ASSOCIATION	
	2022	**2021**
Band	**Employees**	**Employees**
£60,000 - £70,000	2	3
£80,001 - £90,000	2	3
£90,001 - £100,000	2	2
£100,001 - £110,000	-	1
£130,001 - £140,000	1	1
£160,001 - £170,000	1	1
	8	11

NOTES TO THE FINANCIAL STATEMENTS

10. BOARD MEMBERS AND EXECUTIVE DIRECTORS

	Basic salary	Benefits in kind	Pension contr'ns	2022 Total	2021 Total
	£000	£000	£000	£000	£000
Executive directors	577	5	44	626	542
Non-executive directors	70	-	-	70	62
	647	5	44	696	604

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	Benefits in kind	Pension contr'ns	2022 Total	2021 Total
	£000	£000	£000	£000	£000
Andrew Potter	162	-	13	175	174
Georgina Parkinson	99	2	8	109	116
Mark Agnew	82	-	4	86	-
Ulrike Maccariello	98	-	8	106	105
William Roberts	136	3	11	150	147
	577	5	44	626	542

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. TAXATION

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Current Tax				
Current tax on income for the period	-	-	-	-
Adjustment in respect of previous periods	-	(604)	-	(604)
Total current tax	**-**	**(604)**	**-**	**(604)**

Reconciliation of tax recognised in income and expenditure	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Surplus on ordinary activities before taxation	3,627	3,087	3,905	3,259
Theoretical tax charged at 19% (2021: 19%)	689	587	742	619
Effects of				
Surplus arising in charitable entities	(696)	(592)	(765)	(619)
Deferred tax not recognised	7	5	-	-
Group relief (claimed) /surrendered	-	-	23	-
Adjustment in respect of prior periods	-	(604)	-	(604)
Total tax	-	(604)	-	(604)

Factors that may affect future tax charges
The Group has tax losses of £299,000 as at 31 March 2022 (2021: £276,000) all of which may be set against certain profits arising in future accounting periods. The resultant deferred tax asset of £75,000 as at 31 March 2022 (2021: £52,000) 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 £'000	Land and residual building £'000	Social housing properties held for letting * £'000	Social housing properties for letting under construction £'000	Shared ownership properties under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost							
At 1 April 2021	84,763	325,402	410,165	5,840	4,326	52,719	473,050
Additions	-	-	-	8,198	3,366	-	11,564
Works to existing properties	2,164	-	2,164	-	-	-	2,164
Reversal of provision	(427)	(1,820)	(2,247)	-	-	(1,638)	(3,885)
Interest capitalised	-	-	-	119	73	-	192
Schemes completed	1,370	6,892	8,262	(8,262)	(2,914)	2,914	-
Disposals	(885)	(90)	(975)	-	-	(640)	(1,615)
At 31 March 2022	86,985	330,384	417,369	5,895	4,851	53,355	481,470
Depreciation and impairment							
At 1 April 2021	33,932	24,498	58,430	-	-	354	58,784
Depreciation charged in year	3,622	1,969	5,591	-	-	-	5,591
Impairment charged in the year**	45	125	170	-	-	-	170
Impairment reversed in the year	(112)	(409)	(521)	-	-	(354)	(875)
Disposals	(477)	(14)	(491)	-	-	-	(491)
At 31 March 2022	37,010	26,169	63,179	-	-	-	63,179
Net book value							
At 31 March 2022	49,975	304,215	354,190	5,895	4,851	53,355	418,291
At 31 March 2021	50,831	300,904	351,735	5,840	4,326	52,365	414,266

* Included within the social housing properties held for letting, 5 hostels valued at £2,296,000 (2021: 5 units at £2,324,000) and 2 rent to home buy properties valued at £223,000 (2021: 2 units at £255,000).

** See page 51

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 2021	83,336	327,747	411,083	4,518	3,274	53,492	472,367
Additions	-	-	-	8,166	3,450	-	11,616
Works to existing properties	2,164	-	2,164	-	-	-	2,164
Reversal of provision	(427)	(1,820)	(2,247)	-	-	(1,638)	(3,885)
Interest capitalised	-		-	119	73	-	192
Schemes completed	1,370	7,208	8,578	(8,578)	(2,986)	2,986	-
Disposals	(885)	(90)	(975)	-	-	(640)	(1,615)
At 31 March 2022	85,558	333,045	418,603	4,225	3,811	54,200	480,839
Depreciation and impairment							
At 1 April 2021	33,210	24,497	57,707	-	-	354	58,061
Depreciation charged in year	3,505	1,969	5,474	-	-	-	5,474
Impairment charged in the year **	45	125	170	-	-	-	170
Impairment reversed in the year	(112)	(409)	(521)	-	-	(354)	(875)
Disposals	(477)	(14)	(491)	-	-	-	(491)
At 31 March 2022	36,171	26,168	62,339	-	-	-	62,339
Net book value							
At 31 March 2022	49,387	306,877	356,264	4,225	3,811	54,200	418,500
At 31 March 2021	50,126	303,250	353,376	4,518	3,274	53,138	414,306

* Included within the social housing properties held for letting, 5 hostels valued at £2,296,000 (2021: 5 units at £2,324,000) and 2 rent to home buy properties valued at £223,000 (2021: 2 units at £255,000).

** See page 51

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Completed housing properties historical cost, net of depreciation comprises:

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Freehold land and buildings	356,137	351,733	360,794	356,038
Long leasehold land and buildings	49,558	50,400	49,670	50,476
	405,695	**402,133**	**410,464**	**406,514**

Expenditure on works to existing properties:

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Amounts capitalised (components)	2,164	649	2,164	649
Provision for fire safety remedial works	(3,885)	3,885	(3,885)	3,885
Amounts charged to income and expenditure account	7,821	6,216	7,821	6,216
	6,100	**10,750**	**6,100**	**10,750**

Housing properties with a net book value of £205,191,000 are pledged as security for liabilities.

Impairment:

The following were considered to be indicators of impairment at 31 March 2022:

1. Contractor failure

The failure of a contractor resulted in the need to procure an additional contract to complete the works on a scheme. The circumstances led to the total scheme costs exceeding those anticipated at the point the scheme was approved. The total scheme costs have been compared to the value in use, as determined by calculation of a Depreciated Replacement Cost. The result is an impairment charge of £170,000 that has been included as expenditure within the income and expenditure for the year.

2. Land held for future development

No impairment has been charged for land held for future development by the group. The estimated selling price less costs sell 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.

3. Latent defects

Numerous defects on the scheme have resulted in total approved scheme costs of £4.9 million, which exceeds the original budget of £4.4 million. The net book value on the scheme at 31 March 2022 was £3.4 million, with £0.4 million of further works to incur. No impairment provision is required as the Depreciated Replacement Cost of the scheme was £5.2 million at 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Social housing assistance:

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Previously recognised in the Statement of Comprehensive Income	27,758	25,934	27,758	25,934
Deferred capital grant (note 20)	128,770	129,632	128,770	129,632
	156,528	**155,566**	**156,528**	**155,566**

13. TANGIBLE FIXED ASSETS – OTHER

GROUP	**Land and building £000**	**Furniture and office equipment £000**	**Computer equipment & software £000**	**PV Panels £000**	**Total £000**
Cost					
At 1 April 2021	2,744	320	3,285	46	**6,395**
Additions during year	-	-	130	-	**130**
Disposal during year	-	-	(3)	-	**(3)**
At 31 March 2022	**2,744**	**320**	**3,412**	**46**	**6,522**
Depreciation					
At 1 April 2021	291	270	1,892	12	**2,465**
Charge for the year	28	18	293	2	**341**
Disposals during year	-	-	(3)	-	**(3)**
At 31 March 2022	**319**	**288**	**2,182**	**14**	**2,803**
Net book value					
At 31 March 2022	**2,425**	**32**	**1,230**	**32**	**3,719**
At 31 March 2021	2,453	50	1,393	34	3,930

NOTES TO THE FINANCIAL STATEMENTS

13. TANGIBLE FIXED ASSETS – OTHER (CONTINUED)

ASSOCIATION	**Land and building £000**	**Furniture and office equipment £000**	**Computer equipment & software £000**	**Total £000**
Cost				
At 1 April 2021	2,744	320	3,203	**6,267**
Additions during year	-	-	130	**130**
Disposal during year	-	-	(3)	**(3)**
At 31 March 2022	**2,744**	**320**	**3,330**	**6,394**
Depreciation				
At 1 April 2021	291	270	1,815	**2,376**
Charge for the year	28	18	289	**335**
Disposals during year	-	-	(3)	**(3)**
At 31 March 2022	**319**	**288**	**2,101**	**2,708**
Net book value				
At 31 March 2022	**2,425**	**32**	**1,229**	**3,686**
At 31 March 2021	2,453	50	1,388	3,891

Impairment:
Uncertainty over future office requirements was considered to be an indicator of impairment at 31 March 2022.

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.

14. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES

	GROUP		**ASSOCIATION**	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
At 1 April	4,253	4,253	4,253	4,253
Revaluation in year	52	-	52	-
At 31 March 2022	4,305	4,253	4,305	4,253

The Group's investment properties were subject to a full valuation on 31 March 2022, by independent external valuers, Savills Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

NOTES TO THE FINANCIAL STATEMENTS

14. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES (CONTINUED)

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

Real discount rate	4.0%- 5.0%
Annual inflation rate	2.0%
Level of annual rent increase	3.0%

15. INVESTMENT IN SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£000	£000	£000	£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	Dormant	England	100%
Sustainable Homes Limited	Build and sell homes	England	100%

16. STOCK

	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£000	£000	£000	£000
Completed - open market sale properties	392	641	392	284
Completed - shared ownership properties	546	434	546	434
Under construction - shared ownership properties	570	897	570	897
	1,508	1,972	1,508	1,615
Capitalised interest included in the above	59	50	59	36

NOTES TO THE FINANCIAL STATEMENTS

17. DEBTORS

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Due within one year				
Rental and service charge arrears	823	743	823	743
Provision for doubtful debts	(486)	(210)	(486)	(210)
	337	533	337	533
Social housing grant receivable	134	549	134	549
Other debtors	283	244	248	195
Amounts owed by subsidiary undertakings	-	-	4,123	4,084
Prepayments and accrued income	1,188	651	1,162	627
Amount due from leaseholders and freeholders	938	875	938	875
	2,880	2,852	6,942	6,863

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Loans and borrowings (note 22)	4,964	5,092	4,964	5,092
Accruals and deferred income	3,792	3,367	2,249	2,005
Sinking funds	3,267	2,776	3,267	2,776
Social housing grant (note 20)	1,890	1,747	1,890	1,747
Rent & service charges received in advance	930	895	930	895
Trade creditors	808	303	752	301
Other creditors	290	169	291	169
Amounts due to subsidiary undertakings	-	-	1,538	1,057
Recycled capital grant fund (note 21)	146	166	146	166
Grants received in advance	41	41	41	41
	16,128	14,556	16,068	14,249

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2022 £000	2021 £000	2022 £000	2021 £000
Loans and borrowings (note 22)	230,284	235,379	230,284	235,379
Social housing grant (note 20)	126,880	127,885	126,880	127,885
Recycled capital grant fund (note 21)	198	202	198	202
	357,362	363,466	357,362	363,466

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED CAPITAL GRANT

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
As at 1 April	129,631	128,306	129,631	128,306
Grants received during the year	1,139	3,231	1,139	3,231
Grant repaid in the year	(157)	(114)	(157)	(114)
Grants amortised during the year	(1,843)	(1,791)	(1,843)	(1,791)
At 31 March	128,770	129,632	128,770	129,632
Amounts to be released within one year	1,890	1,747	1,890	1,747
Amounts to be released in more than one year	126,880	127,885	126,880	127,885
At 31 March	128,770	129,632	128,770	129,632

21. RECYCLED CAPITAL GRANT FUND

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
As at 1 April	370	489	370	489
Grants recycled	96	100	96	100
Drawdown	(122)	(192)	(122)	(192)
Repaid	-	(29)	-	(29)
At 31 March	344	368	344	368
Closing balance consists of:				
Homes England Fund	335	362	335	362
Greater London Authority Fund	9	6	9	6
	344	368	344	368
Amount due for repayment to Homes England/ Greater London Authority				
Within one year	146	166	146	166
Within 2 to 3 years	198	202	198	202
	344	368	344	368

NOTES TO THE FINANCIAL STATEMENTS

22. DEBT AND RELATED AMOUNTS

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Debt:				
Outstanding principle amount	225,200	230,319	225,584	230,319
Cumulative movement in amortised cost	365	220	365	220
Amortised cost	225,565	230,539	225,949	230,539
Related amounts:				
Premium on bond issues	11,232	11,601	10,848	11,601
Loan arrangement fees	(1,549)	(1,669)	(1,549)	(1,669)
Net housing loans due within one year and after more than one year	**235,248**	**240,471**	**235,248**	**240,471**
Housing loans repayable:				
Within one year	4,964	5,092	4,964	5,092
One to two years	4,978	5,116	4,978	5,116
Two to five years	15,121	15,151	15,121	15,151
More than five years	210,185	215,112	210,185	215,112
	230,284	235,379	230,284	235,379
	235,248	**240,471**	**235,248**	**240,471**

Bank loans and bonds are secured by fixed charges on properties. The bond has a gross redemption value of £150 million and is repayable via Hastoe Capital plc, a wholly owned subsidiary of Hastoe Housing Association Limited, in March 2042.

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

	Barclays	**HBOS**	**Bond**
Value (£'000)	36,000	39,200	150,000
Interest Rate	1.0% - 6.0%	1.3% - 5.6%	5.60%
	Fixed & Variable	Fixed	Fixed
Maturity	April 2037	June 2037	March 2042
Repayment Profile (£'000)			
Within 1 year	2,250	2,450	-
1-2 Years	2,250	2,450	-
2- 5 Years	6,750	7,350	-
After 5 years	24,750	26,950	150,000

At 31 March 2022, the Group had undrawn committed loan facilities of £38 million (2021: £38 million) and cash holdings of £7 million (2021: £12 million).

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 1.0% to 6.0%. The proportion of drawn debt on fixed and floating rates is as follows:

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Fixed rate	213,449	223,289	213,449	223,289
Floating rate	12,500	7,250	12,500	7,250
	225,949	230,539	225,949	230,539

On 31 December 2021, the reform of interest rate benchmarks resulted in the London Interbank Offered Rate (LIBOR) are being replaced with the Sterling Overnight Interbank Average Rate (SONIA). SONIA is the effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.

The FRC made amendments to FRS 102 for interest rate benchmark reform in two phases. The Phase 2 amendments (effective from 1 January 2021) provide a practical expedient in Section 11.20C for changes in financial assets or liabilities as a direct result of the interest rate benchmark reform. This means that when changes to the contract are a direct consequence of IBOR reform on an economically equivalent basis, then FRS 102.11.19 applies meaning there is no immediate gain or loss arising.

During the year, the Association amended its loan facilities agreements so that the associated floating interest rates were linked to SONIA rather than LIBOR. The changes to the loan facilities agreements are a direct consequence of IBOR reform on an economically equivalent basis and as a result there is no immediate gain or loss arising.

Financial risk management

Risk management objectives and policies

The Hastoe Housing Association Limited 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.

NOTES TO THE FINANCIAL STATEMENTS

23. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP AND ASSOCIATION
	2022
Fire safety provision	**£000**
At 1 April 2021	3,885
Decrease in year	(3,885)
At 31 March 2022	-

Fire Safety Provision
The Association conducted fire risk assessments on its low rise blocks of flats to determine whether remedial works were required. A programme of works was identified and communicated to residents, thereby creating a constructive obligation. In the prior year, there were deemed to be costs that were unlikely to be recovered from third parties, e.g. the original contractor. Where it was assumed that costs could not be recovered, the Association had provided for the estimated liability. These works were capitalised, with the cost of the affected property being increased. It has since been established that the remedial works will either be undertaken by the contractor or covered by a warranty, at no cost to the Association. This has resulted in the full reversal of the provision. Refer to note 12.

24. NON-EQUITY SHARE CAPITAL

	ASSOCIATION	
	2022	**2021**
	£	**£**
At 1 April	10	13
Issued in year	3	-
Cancelled in year	(1)	(3)
At 31 March	12	10

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.

25. FINANCIAL COMMITMENTS

Capital expenditure commitments were as follows:

	GROUP		ASSOCIATION	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Capital expenditure contracted for but not provided for in the financial statement	6,239	9,106	6,239	9,106
Capital expenditure which has been authorised by the Board but not yet contracted for	55,356	37,497	55,356	37,497

The above commitments will be funded by cash holdings and borrowings of £42.2 million, property sales of £6.7 million and social housing grant of £12.5 million.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL COMMITMENTS (CONTINUED)

Operating leases
Non-cancellable operating lease rentals are payable as follows:

	GROUP		ASSOCIATION	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**
Within one year	36	46	36	46
One to five years	23	56	23	56
	59	102	59	102

26. CONTINGENT LIABILITIES

We have been notified by the Trustee of the Scheme (see note 30) that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

The Group and Association had no other material contingent liabilities at 31 March 2022 (2021: nil).

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

GROUP	**2022 £000**	**2021 £000**
Decrease in cash	(8,653)	(743)
Cash outflow from decrease in debt and lease finance	5,104	4,836
Decrease/(increase) in net debt from cash flows	(3.549)	4,093
Movement in amortised cost of financial instruments	(145)	(80)
Amortisation of premium on bond issue	370	356
Amortisation of issue costs	(120)	(125)
Total changes in net debt for the year	(3,444)	4,244
Net debt at 1 April	(220,055)	(224,299)
Net debt at 31 March	(223,499)	(220,055)

NOTES TO THE FINANCIAL STATEMENTS

28. ANALYSIS OF NET DEBT

GROUP	1 April 2021	Cashflow	Non-cash movement	31 March 2022
	£000	£000	£000	£000
Cash and cash equivalent	12,116	(4,653)	-	7,463
Short term investments	8,300	(4,000)	-	4,300
Loans	(240,471)	5,104	105	(235,262)
Change in net debt	(220,055)	(3549)	105	(223,499)

29. 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 Regulator of Social Housing. 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 2022 Hastoe Housing Association Limited owed Hastoe Homes Limited £1,363,000 (2021: £904,000) relating to design and build services. The services have a commercial mark-up applied to them and are payable on 14 day terms. During the year Hastoe Homes made charges of £11,788,000 to Hastoe Housing Association Limited (2021: £5,822,000). Hastoe Housing Association Limited made charges of £731,000 to Hastoe Homes Limited (2021: £661,000).

Hastoe Housing Association Limited has a loan of £4,123,000 to Sustainable Homes Limited (2021: £4,084,000). Interest on the loan is charged at a current rate of Sonia plus 3.25% and has a maturity date of October 2027. During the year Hastoe Housing Association Limited made charges of £8,000 to Sustainable Homes Limited (2021: £11,000).

At 31 March 2022, Hastoe Housing Association Limited owed £161,269,000 to Hastoe Capital plc (2021: £161,639,000) relating to the on lending of a fixed rate bond repayable in full in March 2042. During the year Hastoe Capital plc charged £8,053,000 for interest on loans (2021: £8,044,000).

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 2022, Gaymer Memorial Cottages owed Hastoe Housing Association Limited £nil (2021:£4,000) relating to working capital balances repayable on demand. Hastoe Housing Association Limited charged £4,000 for services provided to Gaymer Memorial Cottages (2021: £4,000).

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES (CONTINUED)

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 Limited. At 31 March 2022, Bernard Herridge Charity owed Hastoe Housing Association Limited £12,000 (2021: £10,000) relating to working capital balances repayable on demand. During the year, Hastoe Housing Association Limited charged £36,000 (2021: £34,000) for services provided to the Bernard Herridge Charity.

The aggregate amount of emoluments paid to key management personnel during the year was £696,000 (2021: £600,000).

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 £8,827 and there was no amount owed at the year end.

30. PENSION LIABILITY

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

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

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

The Scheme is classified as a 'last-man standing arrangement'. Therefore the 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 accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

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

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

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

	2022	**2021**
	£000	**£000**
Fair value of plan assets	16,196	16,208
Present value of defined benefit obligation	18,706	19,593
Deficit in plan	(2,510)	(3,385)
Defined benefit liability to be recognised	(2,510)	(3,385)

NOTES TO THE FINANCIAL STATEMENTS

30. PENSION LIABILITY (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Defined benefit obligation at start of period	19,593	16,726
Expenses	14	14
Interest expense	416	394
Actuarial losses due to scheme experience	813	(659)
Actuarial losses due to changes in demographic assumptions	(322)	76
Actuarial gains due to changes in financial assumptions	(1,286)	3,554
Benefits paid and expenses	(522)	(512)
Defined benefit obligation at end of period	18,706	19,593

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Fair value of plan assets at start of period	16,208	15,028
Interest income	348	359
Experience on plan assets (excluding amounts in interest income) – loss	(352)	828
Employer contributions	514	505
Benefits paid and expenses	(522)	(512)
Fair value of plan assets at end of period	16,196	16,208

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

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Expenses	14	14
Net interest expense	68	35
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	82	49

NOTES TO THE FINANCIAL STATEMENTS

30. PENSION LIABILITY (CONTINUED)

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Experience on plan assets (excluding amounts included in net interest cost) - loss	(352)	828
Experience gains and losses arising on the plan liabilities - loss	(813)	659
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	322	(76)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	1,286	(3,554)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain	443	(2,143)
Total amount recognised in Other Comprehensive Income - gain	443	(2,143)

ASSETS

	2022 £000	2021 £000
Global Equity	3,108	2,583
Absolute Return	650	895
Distressed Opportunities	580	468
Credit Relative Value	538	510
Alternative Risk Premia	534	610
Fund of Hedge Funds	-	2
Emerging Markets Debt	471	654
Risk Sharing	533	590
Insurance-Linked Securities	378	389
Property	437	337
Infrastructure	1,154	1,081
Private Debt	415	387
Opportunistic Illiquid Credit	544	412
High Yield	140	485
Opportunistic Credit	58	444
Cash	55	-
Corporate Bond Fund	1,080	958
Liquid Credit	-	193
Long Lease Property	417	318
Secured Income	603	674
Liability Driven Investment	4,519	4,119
Currency Hedging	(63)	-
Net Current Assets	45	99
Total assets	16,196	16,208

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

30. PENSION LIABILITY (CONTINUED)

KEY ASSUMPTIONS

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

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

31. POST BALANCE SHEET EVENTS

In June 2022, Hastoe agreed to receive a sum of £475,000 as settlement of a potential court case.

There were no other material post balance sheet events.