Registered Society No 16243R
Regulator of Social Housing No L0018

HASTOE HOUSING ASSOCIATION LIMITED

Report and Group Financial Statements

Year ended 31 March 2023

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 Ashley Horsey (appointed 21 September 2023) Martin Huckerby((resigned 20 September 2023) Lisa Hughes (resigned 10 March 2023) Omadevi Jani Jo Lavis (appointed 12 May 2022) Chris Parsons (resigned 16 March 2023) Julie Pearce-Martin Anne Perkins (resigned 7 November 2022) 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 (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 25 Gresham Street London EC2V 7HN

STRATEGIC REPORT

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2023.

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

On 24 January 2023, Lowen Homes Limited was dissolved. Lowen Homes Limited had previously been dormant and was dissolved to simplify the Group structure.

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 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:

- Deliver high-quality services for our residents that meet their needs;
- Invest in and maintain, safe, energy-efficient homes;
- Develop in rural areas to support the sustainability of rural communities;
- Run a professional, efficient organisation and be an excellent employer.

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 retained its Investors in People (IiP) Gold accreditation in 2022. The Board's ambition is to be an excellent employer to enable Hastoe to attract and retain high performing staff.

STRATEGIC REPORT (CONTINUED)

Operating environment

The economic fallout from the invasion of Ukraine exacerbated the existing impacts of the Covid-19 pandemic and Brexit, resulting in a period of extended high inflation and increasing interest rates. The sharp rise in costs, and in particular energy and food costs, have led to a cost-of-living crisis that has disproportionally affected those on the lowest incomes.

After peaking at 11.1% in October 2022, the Consumer Price Index (CPI) for July 2023 fell to 6.8%. The wholesale price of gas and electricity has fallen since the peaks in 2022, which were driven by conflict in Ukraine. While food price inflation remains at a historically high level, this has begun to reverse, decreasing from 17.4 % in June 2023 to 14.9% in July 2023. However, inflation in other areas of the economy such as hospitality has contributed to CPI falling less quickly than many forecasters had anticipated. In August 2023, the Bank of England (BoE) forecast that CPI would drop to 5% by the end of 2023 and return to the target level of 2% by mid-2025.

In response to the cost-of-living crisis, in August 2022, the Government launched a consultation on social housing rents which proposed a ceiling on the maximum increase that could be applied. While a rent cap reflected a departure from the CPI +1% policy set out in the 2020 Rent Standard, without this intervention, rents could potentially have been increased by up to 11.1% from April 2023. In November 2022, the Government announced that the maximum permissible rent increase for existing tenants, on Social or Affordable rents, would be limited to 7% between 1 April 2023 and 31 March 2024. The Board decided that increasing Social and Affordable rents by 7% represented a reasonable balance between ensuring rents remained affordable for tenants and preserving the financial viability of the Group. The Board also agreed to voluntarily cap Hastoe's shared ownership rent increases at 7%.

With inflation expected to remain high in the remainder of 2023, there is uncertainty as to whether or not another rent cap will be imposed in 2024. In addition, the current Rent Standard, which permits rents to increase by up to CPI + 1%, comes to an end in 2025 and there is uncertainty as to the rent regime that the Government will implement after this time. The Board is conscious that Government policy can change and so it has considered the effect of differing levels of rent and cost inflation as part of the stress testing of its financial plan.

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 2023, the rent arrears of Hastoe tenants and shared owners stood at 2.6% and 1.9% of rent charged, respectively (2022: 2.4% and 1.2%, respectively).

In an attempt to control inflation, since December 2021, the BoE has raised the bank base rate on fourteen occasions, from an historic low of 0.1% to 5.25% in August 2023. Despite economic headwinds, the labour market has been resilient, with unemployment remaining relatively low at 3.9% in the quarter ended 31 March 2023. The BoE expects unemployment to rise slightly over the next two to three years, reaching 4.8% in 2026.

According to the Nationwide Building Society, “House prices fell by 5.3% in August compared with the year before, their biggest annual decline since 2009”. It said higher borrowing costs for buyers had led to a slowdown in activity in the housing market. In general, the demand for Hastoe's shared ownership properties has continued to be robust, with only a small number of properties, in particular markets, remaining in stock for an extended period of time. A review for potential impairment on these units concluded that no provision was required. 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 provided for a New Homes Ombudsman scheme to resolve disputes between developers and consumers. Hastoe owns four buildings over 18 metres tall, none of which are clad with aluminium composite material, and has received no findings of maladministration from the Ombudsman.

STRATEGIC REPORT (CONTINUED)

The Fire Safety Act came into force in May 2022 and clarified 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. Further Fire Safety Regulations came into effect in January 2023 and introduced the requirement for 'Responsible Persons' on residential buildings over 11m. Responsible Persons are required to ensure that annual checks of flat entrance doors and quarterly checks of all fire doors in the common parts are undertaken.

The measures in the Social Housing Regulation Bill, which was introduced in 2022, stem from the concerns raised following the tragic fire at Grenfell Tower in 2017 that have been reinforced since by a number of highly publicised failings by social landlords. The Bill seeks to improve the position of tenants, defining and introducing further obligations on landlords through increased regulation. The proposed changes will require the appointment of a health and safety lead, place the Housing Ombudsman's Code of Practice into law, require that social housing managers gain professional qualifications, and introduce "Awaab's Law" which requires social landlords to address damp and mould within strict time limits.

The Bill provides the Regulator of Social Housing with a broader remit and powers to inspect and intervene on consumer related matters. The new Consumer Standards include a set of Tenant Satisfaction Measures (TSMs) that are intended to enable residents to scrutinise their landlord, hold them to account, and provide a source of intelligence to the Regulator as to whether landlords are meeting the regulatory standards. The TSMs take effect from 1 April 2023 and will be first reported in 2024.

The Government has consulted on reforms to national planning policy and changes to the National Planning Policy Framework (NPPF). Revisions to the NPPF, together with associated guidance on local housing need and the housing delivery test (HDT) are anticipated in 2023. Public consultations on further aspects of policy and practice relating to the Levelling-up and Regeneration Bill (LURB) are also expected during 2023. The LURB includes a proposed Infrastructure Levy (IL) that is intended to replace the current Community Infrastructure Levy, Section 106 and affordable housing developer contributions with a single flat-rate levy based on the final sale values of a development.

In December 2022, a panel of independent experts published a Better Social Housing Review. One of the key findings was that there is currently no comprehensive, consistently measured picture of the state of social housing across the country. Different housing associations have varying approaches to auditing their stock and expressing data. It has been suggested that housing associations should work together to undertake a comprehensive national audit of social housing, adopting and applying the new HACT UK Housing Data Standards right across the sector.

The 'Future Homes Standard' aims to ensure 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. The second wave of the funding was available for housing associations to bid directly and was launched in 2022. 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 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 business 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, including category 1 or 2 hazards under the housing health and safety system, such as serious cases of damp and mould. The Board also approves an annual health & safety policy and statement. 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	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. New repairs contractors are being mobilised with the aim of improving the repairs service and making it more resilient. The Board has set stretching targets to enhance 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.
Recruitment and Retention	The tight employment market results in an inability to attract and retain highly skilled and engaged employees. This has a detrimental effect upon the Group's ability to meet its strategic aims and operational needs. The Board's business strategy contains an objective to be an excellent employer. The Association retained Investors in People Gold in 2022 and has high levels of staff satisfaction. The Board approved additional resource in the budget to allow the Human Resources team to provide a more proactive approach to identifying potential recruits.
Cyber Security	A cyber-attack results in an inability to provide or access services for extended period of time, potentially impacting the viability of the Group, and/or a loss of customer or staff data that results in reputational damage and a regulatory censure or fine. The Audit & Risk Committee receives a regular report on the status of the Group's IT security. Regular phishing tests are conducted and relevant training provided to staff. Further assurance is provided by regular third party cyber security testing and a recent internal audit.

The Board monitors emerging risks and adapts its plans accordingly to remain within its risk appetite.

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	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Total Turnover	**34,957**	**33,736**	**31,598**	**34,072**	**32,754**
Income from social housing lettings	31,543	30,140	29,356	28,597	28,402
Surplus on first tranche and open market property sales	423	275	153	510	371
Gain on disposal of properties	2,644	2,234	1,166	1,026	1,685
Operating Surplus	**16,819**	**14,899**	**14,415**	**12,472**	**14,061**
Net interest costs	(11,436)	(11,324)	(11,328)	(10,996)	(11,296)
Movement in fair value of investment properties	227	52	-	-	-
Surplus Before Tax	**5,610**	**3,627**	**3,087**	**1,476**	**2,765**

Operating Margin	**48%**	**44%**	**46%**	**37%**	**43%**
Operating margin on social housing lettings	43%	41%	45%	38%	44%
Interest Cover*	**1.8**	**1.7**	**1.6**	**1.5**	**1.6**
EBITDA MRI Interest Cover**	**1.3**	**1.6**	**1.1**	**1.3**	**1.1**

** 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 £5.6m (2022: £3.6m) at an operating margin of 48% (2022: 44%). The increase in the surplus for the year was driven by rent inflation, an increase in the gain on disposal of properties and the receipt of backdated feed-in-tariff payments on the Group's photo voltaic panels. Excluding the gain on the disposal of properties, the operating margin increased to 42% (2022: 38%).

The increase in the turnover from social housing lettings to £31.5m (2021: £30.1m) 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 few years. Operating costs on social housing lettings remained fairly stable, rising by 2% in the year. This masks a fall in the level of major repairs expenditure on revenue items, which was offset by the reversal of a fire safety related impairment charge that had benefited the prior year. As a result, the operating margin on social housing lettings rose to 43% (2022 41%).

The level of EBITDA MRI interest cover was 1.3 times (2022: 1.6 times). The 2022 comparative was affected by the release of a provision for fire safety remedial works. Excluding the impact of the release of the provision, the EBITDA MRI interest cover was 1.3 times in 2022.

The development programme was expected to pick up in the year, after the various delays that stemmed from the lockdown restrictions. However, the increase in cost inflation and uncertainty over the extent of government intervention on rent setting led to a Board decision to temporarily slowing down the Group's development programme during the year. As a result, the number of completed new build homes was below target and, consequently, the level of first tranche sales remained relatively low. Turnover from first tranche sales was £1.3m (2022: £1.5m) and generated an improved margin of 32% (2022: 16%). There were no open market sales in the year.

STRATEGIC REPORT (CONTINUED)

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	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Fixed assets at cost or valuation	431,110	426,316	422,449	417,037	417,660
Net current (liabilities) / assets	(3,468)	23	10,684	12,651	17,635
Total assets less current liabilities	**427,642**	**426,339**	**433,133**	**429,688**	**435,295**
Creditors and provisions - over one year	355,860	359,872	370,736	368,839	378,411
Revenue reserve	71,782	66,467	62,397	60,849	56,884
	427,642	**426,339**	**433,133**	**429,688**	**435,295**

Net Debt* : total assets less current liabilities	50%	50%	48%	50%	50%
Debt ** per unit owned	£29,637	£30,330	£31,247	£31,955	£32,757
Debt *** : revenue	6.3	6.7	7.3	6.9	7.3
Liquidity ****	0.8	1.0	1.7	1.9	2.2
Total units owned and managed	**7,769**	**7,737**	**7,681**	**7,669**	**7,630**

* *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 £411m (2022: £408m). The Group grew rapidly in the fifteen years until 2018, funded by increased borrowings, grant and the investment of Hastoe's reserves. Over the last five years, a change of strategy has resulted in lower levels of development. Despite this, it remains the case that around half of Hastoe's social housing has been built since the turn of the century.

Gearing levels have either remained relatively stable or fallen over the last five years, dependent upon the measure used. 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 £221m (2022: £225m).

Net current assets fell during the year due to the utilisation of £8m 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 29. 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 £258m. Available liquid resources of £41m (cash holdings of £4m and undrawn loan facilities of £37m) are sufficient to meet the Group's committed expenditure, as set out in note 24. 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 £37m 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, 95% of debt was fixed rate and 5% 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.

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

Development

After a period of sustained growth, the Board decided around 5 years ago that 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 has converted the other to an entirely affordable scheme.

The core of the Group's development programme is 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. The Group's risk appetite for open market sales is limited to the occasional small number on rural exception sites, although there are currently no open market units in the pipeline.

There has been continued good demand for the homes that the Group has built and at the year end there were seven unsold shared ownership homes in stock, only two of which had been available for sale for more than six months. There were a further two homes held in stock that are being sold to a local authority.

Cash spent on new homes amounted to £8m 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 due to a decision to slow down development, as cost inflation increased and whilst there was uncertainty over the introduction of the rent cap.

Performance indicator	2022/23 actual units	2022/23 target units	2021/22 actual units
New Homes - starts on site	46	103	31
New Homes – completed	34	56	60
Sales – shared ownership first tranche	9	18	15
Sales – open market sales	-	-	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.

	2022/23 outturn	2021/22 outturn	VFM Target	VFM Target Met	Top quartile	Median
Reinvestment	2.7%	2.3%	> =8.6%	✗	8.6%[1]	6.5%[1]
New Supply Deliver - Social	0.6%	1.1%	>= 1.5%	✗	2.1% [1]	1.4%[1]
New Supply Delivered - Non-Social	0.0%	0.0%	>= 0.0%	✓	0.09%[1]	0%[1]
Gearing	52.9%	53.4%	<= 53%	✓	53.1%[1]	44.1%[1]
Debt : Revenue	6.3	6.7	<= 6.7	✓	-	4.0[1**]
EBITDA MRI Interest Cover	132%	162%	>= 128%	✓	198%[1]	146%[1]
Social Housing Interest Cover	114%	106%	>= 112%	✓	-	131%[1**]
Operating Margin *	41%	38%	>= 39%	✓	25.4%[1]	20.5%[1]
Operating margin on social housing lettings	43%	41%	>= 41%	✓	28.5%[1]	23.3%[1]
Net Margin *	9%	4%	>= 6%	✓	-	18.5%[1**]
Return on Capital Employed (ROCE)	3.9%	3.5%	>= 3.5%	✓	3.9%[1]	3.2%[1]

1 Regulator of Social Housing: Global Accounts including value for money metrics and reporting 2022
* 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 2.7% of the cost of the Group's existing assets (the prior year comparative was 3.3% excluding the effect of a reversal of a provision for fire safety remedial works). This was well below the median rate for the sector, and the target set for the year, primarily as a result of the decision to temporarily slow down the development programme in the year, due to increased cost inflation and uncertainty over the introduction of the rent cap. For the same reason, the number of homes owned by Hastoe grew by only 0.6%, below the 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 6.3 times but remains significantly higher than the average for social housing providers at 31 March 2022 of 4.0 times.

The ability to meet the interest costs, as measured by EBITDA MRI interest cover, was 132% in the year, which was slightly above target. The prior year figure of 162% included the release of a provision for fire safety remedial works, excluding this effect the comparative EBITDA MRI interest cover was 129%. The ratio remains below the median for the sector of 146%[1], due primarily 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 increased in the year to 114% (2022: 106%), due mainly to the impact of the inflation linked rent increases. This also contributed to the increase in the net margin to 9% (2022: 4%), which was above the 6% target.

The Group's high operating margins strengthens Hastoe's ability to continue to service its debt and remain financially viable in a wide-range of forecasted stressed scenarios. The operating margin (excluding the gains from the disposal of properties) of 41% compares favourably with the upper quartile performance in the housing sector of 25.4%[1].

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 increased to 3.9% (2022: 3.5%) and was in line with the upper quartile ROCE for the social housing sector in 2021/22. This performance is due to the Group's high operating margin and despite the relative newness of Hastoe's social housing, which therefore has a relatively high cost. Around half the Group's social housing has been built in the last twenty years.

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 further improve its financial resilience. The Board has targeted to increase the amount of Hastoe's social housing by an average of 2% per year (1.5% - median rate for the sector[1]) over the next three years, whilst increasing the net margin (excluding the gains from the disposal of properties) to 14% by 2025/26.

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 often 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.

A product of Hastoe's relatively new housing stock and its high build standards is that around 75% of Hastoe's rented homes have an energy performance certificate rating of C or above. Hastoe has set a plan to increase the percentage of rented homes that are EPC C or above by a further 5% a year by accessing available grants and tailoring its investment programme to meet this aim.

EPC rating	%
A	1%
B	39%
C	36%
D	20%
E	3%
F / G	1%

STRATEGIC REPORT (CONTINUED)

The table below sets out Hastoe's energy consumption and associated carbon emissions, as defined by the UK government's streamlined energy and carbon report (SECR) regulations. Although Hastoe is not required to comply with the SECR, it chooses to disclose the data below on a voluntary basis. From the data available, these figures represent the carbon emissions associated with the Group's consumption of natural gas, electricity and transport fuel. The methodology uses the Defra (2022) Conversion Factors in line with Environmental Reporting Guidelines (2019).

	Year to 31 December 2022
Energy consumption	775,618 kWh
Scope 1 - emissions from gas used at offices, from fuel used by in-house maintenance vehicle, by gas used in communal areas	24.19 tonnes CO_2e
Scope 2 – electricity purchased for offices and communal areas	124.99 tonnes CO_2e
Scope 3 - business mileage that occurs in employee-owned vehicles	45.71 tonnes CO_2e
Intensity ratio kgs / tCO_2e	30.09 kgs CO2e per home managed 18.9 kgs CO2e per m2 Office only

The Board has decided to dispose of Hastoe's small portfolio of tower blocks, as 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. Hastoe also disposes of a small number of void units each that meet set criteria. The proceeds of the sales are reinvested to support the development of new rural affordable homes.

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.

Performance indicator	2022/23 outturn	2022/23 target	Benchmark (where available)	2021/22 outturn
Customer satisfaction	50%	75%	85%[2]	Not measured
Customers feel safe and secure in their homes	78%	75%	-	Not measured
On-line transactions	72%	40%	-	38%
Urgent repairs completed on time	87%	95%	-	85%
Re-let times (excluding major works)	29 days	20 days	55 days [1]	29 days
Current tenant rent arrears – general needs	2.6%	2.3%	2.9% [1]	2.4%
Current rent arrears – shared ownership	1.9%	1.2%	-	1.2%
Complaints responded to within 10 working days	36%	80%	-	41%
Gas safety compliance	99.96%	100%	100%[1]	100%
Homes meeting the Decent Homes Standard	100%	100%	-	100%

1 Housemark all traditional housing associations benchmarking 2021/22 (reported extracted 15 August 2021) - median
2. Housemark: Sector Scorecard Analysis report 2022 (general needs and housing for older people)

A satisfaction survey, conducted by an independent firm in 2022, using the STAR methodology, found that whilst 78% of Hastoe's customers felt that their home was safe and secure, only 50% were satisfied with the service Hastoe provided. The Board recognised the main finding of the survey that Hastoe's repairs service needed to improve. Since the survey, the Group has ended its relationship with two under-performing repairs contractors and entered into contract with six new repairs contractors. Hastoe's operating area is now covered by nine contractors, thus building in more resilience should a contractor's performance not meet expectations.

STRATEGIC REPORT (CONTINUED)

Three other Board targets were also adversely affected by the poor performing repairs contractors: the percentage of urgent repairs completed on time, re-let times and the percentage of complaints responded to within 10 working days. The volume of complaints due to overdue repairs increased significantly in the winter period to the extent that Hastoe did not have the capacity to respond to the targeted percentage within 10 working days. The new repairs contractors and additional staffing resource, to proactively manage repairs orders, has resulted in a sharp drop in complaints post year end. Regular reports on progress in improving the repairs service are being monitored by the Board.

Further development of Hastoe's digital services has helped increase the proportion of on-line transactions to 72% of customer contacts. The figure reported in 2021/22 and the target for 2022/23 were based on a previous methodology that under reported on-line transactions, as multiple on-line transactions by a customer in a month were only counted as one interaction.

The Group's current tenant arrears performance deteriorated slightly in the year to 2.6% but remains better than the median performance in the sector. Shared ownership arrears also increased in the year to 1.9%. The financial pressures on Hastoe's residents, brought about by the cost of living crisis, has contributed to both arrears metrics being above the target set by the Board. Hastoe continues to support its residents to pay their rents and, during the year, employed a third dedicated member of staff to provide welfare benefit advice.

Where applicable, all Hastoe's homes met the Decent Homes Standard and all but one property had a valid gas safety certificate at 31 March 2023. The outstanding gas safety certificate was 4 days overdue at the year end and was completed on 4 April 2023. All reasonable steps had been taken to complete the service on time.

Social housing margin and costs	**2022/23 outturn**	**2021/22 outturn**	**Mean ***
Social housing lettings operating margin	42.5%	40.7%	23.3%[1]
Social housing cost per unit	£3,161	£2,284	£4,642[1]
Management cost per unit	£629	£653	£1,107[1]
Maintenance cost per unit (including capitalised repairs)	£2,070	£1,202	£2,292[1]
Service charge cost per unit	£295	£285	£698[1]

1 Regulator of Social Housing: Global Accounts including value for money metrics and reporting 2022
* Based on aggregated consolidated group data

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 economic response to the dispersed nature of its stock.

Hastoe's maintenance cost per unit was slightly below the sector median. In the prior year, the maintenance cost per unit was distorted by the inclusion within capitalised repairs of a reversal of a provision for fire safety works. The reversal of the provision led to a reduction in the reported level of capitalised repairs. Excluding the provision, the prior year social housing cost per unit and maintenance cost per unit were £3,050 and £1,968, respectively. Over the long term it is forecast that Hastoe's maintenance costs will be around the sector median.

STRATEGIC REPORT (CONTINUED)

Value for Money Plans

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

	2023/24	2024/25	2025/26
EBITDA MRI* interest cover	132%	142%	150%
Social housing interest cover	121%	128%	138%
Operating margin **	39%	40%	42%
Operating margin on social housing lettings	41%	43%	45%
Net margin **	9%	12%	14%
Gearing	50%	48%	50%
Gearing (debt / revenue)	6.0	5.7	5.8
New supply delivered (social housing)	1.5%	3.1%	1.9%
New supply delivered (non-social housing)	0%	0%	0%
Reinvestment	8.5%	8.2%	7.4%
Return on Capital Employed	3.7%	3.5%	3.8%

* 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 100 homes by March 2024 (106 starts on site 2025, 101 starts on site 2026).
- Increasing customer satisfaction to 65% by March 2024 (70% in 2025 and 75% in 2026).
- Investing in existing homes so that 80% of rented properties are EPC C or above by March 2024 (85% in 2025 and 90% in 2026)
- Maintaining staff satisfaction levels above 90% during 2024, 2025 and 2026.

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 business strategy. 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 has adopted the UK Corporate Governance Code 2018 (UKCGC). 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.	s.172 of the Companies Act 2006 does not apply to Hastoe. Hastoe engages with its workforce through an Employee Forum, led by the workforce and attended by an Executive Director.
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.

The Board considers that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for stakeholders to assess the entity's performance, business model and strategy.

BOARD REPORT (CONTINUED)

Attendance at Board and Committee meetings for the year ended 31 March 2023 was as follows, with the number of meetings that the board member was expected to attend shown in brackets.

	Group Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
John Bruton	7 (7)	3 (3)	-	-
Martin Huckerby	6 (7)	1 (1)	-	-
Lisa Hughes	3 (6)	-	2 (2)	1 (1)
Omadevi Jani	7 (7)	3 (3)	-	-
Jo Lavis	5 (7)	-	1 (1)	-
Lindy Morgan	7 (7)	-	3 (3)	1 (1)
Julie Pearce-Martin	5 (7)	-	-	-
Chris Parsons	5 (6)	1 (2)	-	-
Anne Perkins	4 (4)	-	1 (2)	0 (1)
Richard Quallington	1 (1)	-	-	-
Robert Rutledge	7 (7)	3 (3)	-	-
Andrew Wiseman	6 (7)	-	3 (3)	1 (1)

At least every three years, the Board undertakes an externally facilitated review of governance effectiveness. The outcome of the latest review, conducted by Altair Limited, was reported to the Board in July 2023. No concerns were identified in the review. The Board will consider how best to implement the recommendations to further strengthen its governance.

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

	2023	**2022**
	£	**£**
John Bruton *	6,305	4,633
Ed Buscall ****	1,409	11,750
Martin Huckerby	5,875	7,000
Lisa Hughes ****	4,657	5,610
Omadevi Jani *	5,610	4,490
Jo Lavis **	4,210	-
Andy Moore ***	-	4,088
Lindy Morgan *	11,176	104
Julie Pearce-Martin	4,750	4,750
Chris Parsons ****	4,956	4,750
Anne Perkins ****	2,861	4,750
Richard Quallington ****	1,471	7,000
Robert Rutledge	5,610	5,610
Andrew Wiseman	7,867	5,323
	66,757	69,858

* appointed during 2021/22 ** appointed in 2022/23 *** resigned in 2021/22 **** resigned in 2022/23

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

The Group Committees that supported the Board and governance arrangements during the year were the Audit & Risk Committee, Remuneration Committee and Nomination Committee. 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 and Committee member until 30 September 2022), John Bruton (Chair from 1 October 2022), Lisa Hughes (until 30 April 2022), Omadevi Jani, Chris Parsons (from 1 October 2022 until 16 March 2023) and Robert Rutledge.

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 business strategy 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. The Committee intends to recommend the reappointment of BDO at the next annual general meeting. 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 £17,000 (2022: £16,000) 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 potential for impairment due to building safety work, on land held for future development and due to contractor failure on two schemes 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.

Nomination Committee

The Committee is responsible for advising on the selection, succession planning and performance of non-executive directors, as well as the recruitment of the chief executive.

The members of the Committee during the year were: Ed Buscall (Chair and Committee member until 30 April 2022), Lindy Morgan (Chair and Committee member from 1 May 2022), Lisa Hughes (from 1 May 2022 until 10 March 2023), Jo Lavis (from 9 February 2023), Anne Perkins (until 7 November 2022), Richard Quallington (until 30 April 2022) and Andrew Wiseman.

BOARD REPORT (CONTINUED)

The Committee reviewed the required skills mix for the Board and the succession plan three times 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 strategy that aims 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.

The Committee appointed Altair to carry out a board effectiveness review that will report to the Board in September 2023. The review was based upon observing a Board meeting, a survey and interviews with non-executive and executive directors. The Board will consider how best to implement any recommendations to further strengthen its governance.

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.

The Committee considers the performance of the Board and its Committees on annual basis. 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.

Remuneration Committee

The Committee is responsible for advising on the remuneration of non-executive and executive directors.

The members of the Committee during the year were: Richard Quallington (Chair and Committee member until 30 April 2022), Andrew Wiseman (Chair from 1 May 2022), Ed Buscall (until 30 April 2022), Lisa Hughes (from 1 May 2022 until 10 March 2023), Jo Lavis (from 9 February 2023), Lindy Morgan (from 1 May 2022) and Anne Perkins (until 7 November 2022).

Non-Executive Directors

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 were applied to board member emoluments from 1 April 2022.

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 Remuneration Committee approves a salary & allowances policy that aims to set executive director salaries at the market median. The most recent benchmarking was carried out by Altair Limited who provided a review of executive pay and benefits review in January 2022. The Remuneration 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 2022 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 2023 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 November 2022, considered that Hastoe had retained 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 2023 the Board approved the budget for 2023/24 and the long-term financial plan. The long-term financial plan builds on the 2023/24 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 £4m and undrawn loan facilities of £37m) 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 business 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, the rent cap of 7%, set for the year commencing 1 April 2023, and an assumption that the terms of the current Rent Standard will continue to apply after 2025, result in a forecast of 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 2026.

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 21 September 2023 at The National Housing Federation Limited, Lion Court, 25 Procter Street, London WC1V 6NY.

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 2022. 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 2023 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 requirements of 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 2023, 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 5 years, covering the years ending 31 March 2019 to 31 March 2023.

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 listed 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 considered the reasonableness of the range of scenarios included in management's consideration of downside sensitivity analysis

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

- We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions.
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We assessed the facility and covenant headroom calculations
- 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.

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>100% (2022: 100%) of Group surplus before tax
100% (2022: 100%) of Group revenue
100% (2022: 100%) of Group total assets</td></tr>
<tr><td>Key audit matters</td><td>
<table>
<tr><td></td><td>2023</td><td>2022</td></tr>
<tr><td>KAM 1: The recoverable amount of housing property</td><td>✓</td><td>x</td></tr>
<tr><td>KAM: 2: The recoverable amount of property developed for sale</td><td>x</td><td>✓</td></tr>
</table>
KAM 2 is no longer considered to be a key audit matter at 31 March 2023 due to the low volume of property developed for sale.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£1.7m (2022: £1.4m) based on 8% (2022: 8%) 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.

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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
The recoverable amount of housing property is materially misstated As disclosed in note 2 (Accounting Policies) and note 12, the group holds housing properties at the balance sheet date with a carrying amount of £423m.	Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed. Where necessary Management has performed an assessment of the recoverable amount, whether through value in use (EUV-SH or Depreciated Replacement Cost) or anticipated sales proceeds less costs to sell. Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and therefore a key audit matter.	Our response included the following: Having obtained management's assessment of indicators of impairment and subsequent impairment review where triggers were identified, we have: • considered whether management had included all asset groups (including all tenure types) in their review. • reviewed management's estimates, judgements and the information that has been used to support these decisions. • considered the completeness of the identified schemes by comparing it to our knowledge obtained through voids review and minutes review to identify schemes with tenure change, physical damage, build delays or a significant increase in development cost to complete. • reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports. **Key observations:** Based on our procedures we noted no exceptions and found management's key assumptions to be reasonable.

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.

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

	Group financial statements		**Parent Association financial statements**	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	1.7	1.4	1.7	1.4
Basis for determining materiality	8% (2022: 8%) 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	1.2	1.0	1.2	1.0
Basis for determining performance materiality	We have set performance materiality at 75% (2022: 75%) We have determined performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by the number areas of the financial statements subject to significant estimation uncertainty.			

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 £92k to £1,650k. 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 £83k (2022: £72k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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 page 20. • 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 page 20.
Other Code provisions	• Board's statement on fair, balanced and understandable as set out on page 15; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 6; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 10; and • The section describing the work of the Audit & Risk Committee is set out on page 17. As set out on page 17, 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 to report to you if, in our opinion:

- the Association has not kept proper books of account;
- the Association has not maintained a satisfactory system of control over its transactions;
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the statement of 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.

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:

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

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and

we considered the significant laws and regulations to be 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.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Regulator of Social Housing's regulatory standards, employment law, data protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance and internal audit reports for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates and inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties developed for sale, the recoverable amount of housing property (see Key Audit Matters), the value of defined benefit pension liabilities.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 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 2023

		GROUP		ASSOCIATION	
		2023	**2022**	**2023**	**2022**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	3	34,957	33,736	35,236	34,269
Cost of sales	3	(888)	(1,533)	(888)	(1,533)
Operating expenditure	3	(19,894)	(19,538)	(20,280)	(19,935)
Surplus on disposal of housing properties	6	2,644	2,234	2,644	2,234
Operating surplus	**5**	**16,819**	**14,899**	**16,712**	**15,035**
Interest receivable	7	40	35	269	177
Interest payable and financing costs	8	(11,476)	(11,359)	(11,506)	(11,359)
Movement in fair value of investment properties	14	227	52	227	52
Surplus before taxation		**5,610**	**3,627**	**5,702**	**3,905**
Taxation	11	-	-	-	-
Surplus for the year		**5,610**	**3,627**	**5,702**	**3,905**
Actuarial (loss)/gain in respect of pension schemes	29	(295)	443	(295)	443
Total comprehensive income for the year		**5,315**	**4,070**	**5,407**	**4,348**

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

The notes on pages 34 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES - GROUP

For the year ended 31 March 2023

Group	Income & expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2022	66,160	307	66,467
Surplus for the year	5,610	-	5,610
Transfer from revaluation reserve to income and expenditure reserve	35	(35)	-
Actuarial loss on defined benefit pension scheme	(295)	-	(295)
Total comprehensive income for the year	**5,350**	**(35)**	**5,315**
Balance as at 31 March 2023	**71,510**	**272**	**71,782**

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**

STATEMENT OF CHANGES IN RESERVES – ASSOCIATION

For the year ended 31 March 2023

Association	Income & expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2022	70,829	307	71,136
Surplus for the year	5,702	-	5,702
Transfer from revaluation reserve to income and expenditure reserve	35	(35)	-
Actuarial loss on defined benefit pension scheme	(295)	-	(295)
Total comprehensive income for the year	**5,442**	**(35)**	**5,407**
Balance as at 31 March 2023	**76,271**	**272**	**76,543**

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**

The notes on pages 34 to 66 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2023

		GROUP		ASSOCIATION	
		2023	**2022**	**2023**	**2022**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets - housing properties	12	423,272	418,293	423,755	418,500
Other tangible fixed assets	13	3,438	3,719	3,438	3,686
Investment properties	14	4,400	4,305	4,400	4,305
Other investments	15	-	-	550	550
Total fixed assets		**431,110**	**426,316**	**432,143**	**427,041**
Current assets					
Properties held for sale	16	2,219	1,508	2,219	1,508
Trade and other debtors	17	3,251	2,880	7,026	6,942
Short term investments		3,000	4,300	3,000	4,300
Cash and cash equivalents		4,171	7,463	3,963	7,285
		12,641	**16,151**	**16,208**	**20,035**
Creditors: amounts falling due within one year	18	(16,109)	(16,128)	(15,948)	(16,068)
Net current (liabilities)/assets		(3,468)	23	260	3,967
Total assets less current liabilities		427,642	426,339	432,403	431,008
Creditors: amounts falling due after more than one year	19	(353,517)	(357,362)	(353,517)	(357,362)
		-	-	-	-
Pension liability	29	(2,343)	(2,510)	(2,343)	(2,510)
Net assets		**71,782**	**66,467**	**76,543**	**71,136**
Capital and reserves					
Share capital - non equity	23	-	-	-	-
Income & expenditure reserve		71,510	66,160	76,271	70,829
Revaluation reserve		272	307	272	307
Total reserves		**71,782**	**66,467**	**76,543**	**71,136**

The notes on pages 34 to 66 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	J Bruton	W Roberts
Chair	Board Member	Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023	2022
	£'000	£'000
Cashflows from operating activities		
Operating surplus	16,819	14,899
Depreciation and impairment	5,727	5,226
Difference between employer pension contributions and defined benefit pension operating costs	(462)	(432)
Amortisation of social housing grant	(1,815)	(1,843)
Add back non-cash costs of property disposals	1,261	1,124
Change in value of investment properties	227	-
(Increase)/decrease in stock	(711)	464
Increase in debtors	(505)	(443)
Increase in creditors	166	1,156
Net cash from operating activities	**20,707**	**20,151**
Cashflow from investing activities		
Purchase and construction of housing properties	(11,597)	(13,306)
Purchase of other fixed assets	(26)	(130)
Interest received	40	35
Social housing grant received	2,167	1,370
Disposal of short term investments	1,300	4,000
Net cash from investing activities	**(8,116)**	**(8,031)**
Cashflow from financing activities		
Interest paid	(11,682)	(11,669)
Loans received	500	-
Loans repaid	(4,701)	(5,104)
Net cash from financing activities	**(15,883)**	**(16,773)**
Net change in cash and cash equivalents	(3,292)	(4,653)
Cash and cash equivalents at start of year	7,463	12,116
Cash and cash equivalents at end of year	**4,171**	**7,463**

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 Association'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 Association 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 2023 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 2023 the Board approved the budget for 2023/24 and the long-term financial plan. The long-term financial plan builds on the 2023/24 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 £4m and undrawn loan facilities of £37m) 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.

The Association operates both fixed and variable service charge regimes depending on the scheme and tenure of property. Service charges under both regimes are initially budgeted based on estimates of the costs of service charge goods and services to be supplied.

Under the variable service charge regime, a reconciliation of the actual service charge goods and services carried out, versus the budget, is carried out in September each year, for the previous financial years' service charges, with any under or over recovery on a scheme-by-scheme basis apportioned and then debited or credited to each variable service charge property, and thus reflected as a debtor or creditor accordingly.

Service charge income is thus recognised on the basis of the amount receivable for the year based on estimated service charges, as well as the variable service charge adjustment for the previous year.

An element of the variable service charges for leaseholders relates to the replacement of components and major repairs for their block, which is held within sinking funds ring-fenced specifically for this use. These sinking funds are shown as creditors on the balance sheet.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

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

Interest payable and other finance costs
Interest is capitalised on most recent borrowings used to finance the current 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 finance costs, 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 rate 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

Housing properties (continued)

Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Freehold land is not depreciated due to 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. Depreciation has been applied to the Group's buildings since 1 January 2000. 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 due to their residual value exceeding cost.

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 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, using the depreciated replacement cost and expected cash generation at scheme level, 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 netted against expenditure.

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 rate 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 transaction value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate 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 income and expenditure 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 2023, 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 £579,000 (2022: £608,000). Accumulated depreciation at 31 March 2023 was £65,339,000 (2022: £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 29. A decrease in the discount rate of 0.1% would increase the liability by £170,000. Adding one year to life expectancy would increase the liability by £360,000.

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 £436,000 (2022: £449,000).

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

Impairment

The failure of a contractor at a scheme under development had required an impairment provision in the previous financial year of £170,000, due to increased costs. A review of the recoverable amount of the asset, by reference to its service potential utilising the depreciated replacement cost as at 31 March 2023 has determined that the provision is no longer required. This has resulted in the full reversal of the impairment, as set out at note 12.

The following were considered to be indicators of potential impairments as at 31 March 2023:

1 Contractor failure
The failure of a contractor has resulted in the need to procure an additional contract to complete the works on a scheme. The circumstances have led to the total scheme costs exceeding those anticipated at the point the scheme was approved by £0.5m. However, the recovery from a bond and build cost inflation means that the holding cost of £3.0m at 31 March 2023 remains below the depreciated replacement cost and so no impairment is required.

2 Land held for future development
Land with a net book value of £0.8m at 31 March 2023 is held for future development. The expectation is that the land will be used for an affordable housing scheme. A review has concluded that a scheme could be delivered that meets the Group's investment hurdle rate and so no impairment is required.

3 Fire safety works
Fire safety works are underway on a scheme to remedy identified defects with the original construction. The works will increase the net book value of the scheme by £0.2m. The estimated selling price less cost of selling the scheme is considered to be in excess of the carrying value.

4 Remedial working to tower block
A survey carried out by a prospective purchaser of a property owned by Hastoe identified the potential for additional works of up to £2.5m. Whilst Hastoe has not yet verified the need for these works, or quantified them, they are considered a trigger for potential impairment.

A review of the recoverable amount of the asset, by reference to its service potential utilising the depreciated replacement cost as at 31 March 2023 has determined that an impairment is not required.

5 Unsold Shared Ownership properties and tenure conversion
Two shared ownership properties remain unsold at a scheme that completed in March 2022. One is now under offer at above its holding cost. Whilst the other unsold unit is expected to be converted to an affordable rent tenure. As the depreciated replacement cost is in excess of the holding cost, no impairment is required.

6 Office Requirements
Office space is under-utilised following the change to working arrangements following implementation of a hybrid working policy. No impairment is deemed necessary as the current market value of premises exceeds the net book value of £2.2m at 31 March 2023.

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	2023 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	31,543	-	(18,136)	13,407
Other social housing activities				
First tranche sales	1,305	(888)	-	417
Leasehold ground rent/service charges	78	-	(20)	58
Development costs on abortive schemes	-	-	(52)	(52)
Other development costs not capitalised	-	-	(375)	(375)
Management services	42	-	(30)	12
Community development	-	-	(109)	(109)
Other	-	-	(17)	(17)
	1,425	(888)	(603)	(66)
Non social housing activities				
Leasehold/freehold service charges	820	-	(792)	28
Others	1,169	-	(363)	806
	1,989	-	(1,156)	834
Gain on disposal of properties				2,644
	34,957	(888)	(19,894)	16,819

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

NOTES TO THE FINANCIAL STATEMENTS

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

ASSOCIATION	Turnover £000	2023 Cost of Sales £000	Operating Costs £000	Operating Surplus £000
Social housing lettings	31,543	-	(18,136)	13.407
Other social housing activities				
First tranche sales	1,305	(888)	-	417
Leasehold ground rent/service charges	78	-	(20)	58
Development costs on abortive schemes	-	-	(19)	(19)
Other development costs not capitalised	-	-	(190)	(190)
Management services	847	-	(809)	38
Community development	-	-	(109)	(109)
Others	-	-	(17)	(17)
	2,230	(888)	(1,164)	178
Non social housing activities				
Leasehold/freehold service charges	820	-	(792)	28
Others	643	-	(188)	455
	1,463	-	(980)	483
Gain on disposal of properties				2,644
	35,236	(888)	(20,280)	16,712

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

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 & ASSOCIATION	General Needs £000	Shared ownership £000	2023 Total £000	2022 Total £000
Rent receivable net of identifiable service charges	25,478	3,137	28,615	27,249
Service charge income	832	280	1,112	1,048
Amortised government grant	1,741	75	1,816	1,843
Turnover from social housing lettings	28,051	3,492	31,543	30,140
Management	(2,814)	(389)	(3,203)	(3,315)
Service charge costs	(1,126)	(379)	(1,505)	(1,446)
Routine maintenance	(4,752)	-	(4,752)	(4,582)
Planned maintenance	(1,183)	-	(1,183)	(733)
Major repairs expenditure	(1,490)	-	(1,490)	(2,506)
Bad debts	(118)	-	(118)	(33)
Property lease charges	(27)	-	(27)	(29)
Depreciation of housing properties	(5,473)	-	(5,473)	(5,474)
Accelerated depreciation on component disposals	(451)	-	(451)	(332)
Impairment of housing properties	-	-	-	(170)
Reversal of impairment housing properties	170	-	170	875
Other costs	(104)	-	(104)	(129)
Operating costs on social housing lettings	(17,368)	(768)	(18,136)	(17,874)
Operating surplus on social housing lettings	**10,683**	**2,724**	**13,407**	**12,266**
Void losses	279	-	279	242

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	2022 No.	Additions	Disposals	2023 No.
Social housing				
General needs - social rents	3,301	16	(8)	3,309
General needs - affordable rents	925	9	(1)	933
Shared ownership	837	9	(3)	843
Leasehold	271	-	-	271
Total owned	5,334	34	(12)	5,356
Accommodation managed for others	10	-	-	10
Total owned and managed	5,344	34	(12)	5,366
Non-social housing				
Market rented	8	-	(1)	7
Leasehold	2,083	11	-	2,094
Total owned	2,091	11	(1)	2,101
Accommodation managed for others	302	-	-	302
Total owned and managed	2,393	11	(1)	2,403

The Group owns 5 hostels (2022: 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	
	2023 £000	2022 £000	2023 £000	2022 £000
Operating surplus is stated after charging/(crediting):				
Grant amortised	(1,816)	(1,843)	(1,816)	(1,843)
Depreciation – housing properties	5,590	5,590	5,473	5,474
Depreciation – component replacement	451	334	451	334
Depreciation – other fixed assets	311	339	308	335
Impairment housing properties	-	170	-	170
Reversal of impairment housing properties	(170)	(875)	(170)	(875)
Operating lease charges:				
- Land & building	30	30	30	30
- Office equipment	15	24	15	24
- Motor vehicles	3	3	3	3
Auditors' remuneration:				
- in respect of audit services	134	67	121	45
- in respect of audit related assurance services	15	16	9	16
Donations	4	3	4	3

NOTES TO THE FINANCIAL STATEMENTS

6. SURPLUS ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	GROUP				ASSOCIATION			
	Shared ownership	**Other**	**Total**	**Total**	**Shared ownership**	**Other**	**Total**	**Total**
	2023	**2023**	**2023**	**2022**	**2023**	**2023**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Disposal proceeds	1,130	2,324	**3,454**	3,148	1,130	2,324	**3,454**	3,148
Cost of disposals	(330)	(265)	**(595)**	(696)	(330)	(265)	**(595)**	(696)
Selling costs	(58)	(69)	**(127)**	(122)	(58)	(69)	**(127)**	(122)
Grant recycled	(88)	-	**(88)**	(96)	(88)	-	**(88)**	(96)
	654	1,990	**2,644**	2,234	654	1,990	**2,644**	2,234

7. INTEREST RECEIVABLE

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Interest receivable	40	35	37	36
From subsidiary undertaking	-	-	232	141
	40	35	269	177

8. INTEREST PAYABLE AND FINANCING COSTS

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Loans and bank overdraft	11,108	11,039	11,108	11,039
Commitment fee on loans	179	182	179	182
Amortisation of loan issue costs	120	120	120	120
Movement in amortised cost of financial instruments	290	145	290	145
Unwinding of discount factor on defined benefit pension liability	63	68	63	68
	11,760	**11,554**	**11,760**	**11,554**
Interest capitalised on construction of housing properties	(284)	(195)	(254)	(195)
	11,476	**11,359**	**11,506**	**11,359**
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	**2023**	**2022**	**2023**	**2022**
	FTE	**FTE**	**FTE**	**FTE**
Administration	25	24	25	24
Development	13	14	13	14
Operations	53	57	53	57
	91	95	91	95

	GROUP		ASSOCIATION	
EMPLOYEE COST	**2023**	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Staff costs (including directors) consist of:				
Wages & salaries	3,880	3,871	3,880	3,871
Social security costs	440	404	440	404
Pension costs	252	260	252	260
	4,572	4,535	4,572	4,535

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

	GROUP AND ASSOCIATION	
	2023	**2022**
Band	**Employees**	**Employees**
£60,000 - £70,000	5	2
£70,001 - £80,000	2	-
£80,001 - £90,000	-	2
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£120,001 - £130,000	1	-
£130,001 - £140,000	1	1
£160,001 - £170,000	1	1
	12	8

NOTES TO THE FINANCIAL STATEMENTS

10. BOARD MEMBERS AND EXECUTIVE DIRECTORS

	Basic salary	Benefits in kind	Pension contr'ns	2023 Total	2022 Total
	£000	£000	£000	£000	£000
Executive directors	593	-	49	642	626
Non-executive directors	67	-	-	67	70
	660	5	49	709	696

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	2023 Total	2022 Total
	£000	£000	£000	£000	£000
Andrew Potter	167	-	13	180	175
Georgina Parkinson	99	-	8	107	109
Mark Agnew	27	-	1	28	86
Kirsty McGivney	61	-	5	66	-
Ulrike Maccariello	100	-	9	109	106
William Roberts	139	-	13	152	150
	593	-	49	642	626

The executive directors are members of the defined contribution 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	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Current Tax				
Current tax on income for the period	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Total current tax	**-**	**-**	**-**	**-**

Reconciliation of tax recognised in income and expenditure	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Surplus on ordinary activities before taxation	5,610	3,627	5,702	3,905
Theoretical tax charged at 19% (2022: 19%)	1,066	689	1,083	742
Effects of				
Surplus arising in charitable entities	(1,088)	(696)	(1,105)	(765)
Deferred tax not recognised	22	7	-	-
Group relief (claimed) /surrendered	-	-	22	23
Adjustment in respect of prior periods	-	-	-	-
Total tax	-	-	-	-

Factors that may affect future tax charges
The Group has tax losses of £286,000 as at 31 March 2023 (2022: £299,000) all of which may be set against certain profits arising in future accounting periods. The resultant deferred tax asset of £71,000 as at 31 March 2023 (2022: £75,000) 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 2022	86,985	330,384	417,369	5,895	4,851	53,355	481,470
Additions	-	-	-	5,067	2,887	-	7,954
Works to existing properties	3,113	-	3,113	-	-	-	3,113
Interest capitalised	-	-	-	181	103	-	284
Schemes completed	923	4,581	5,504	(5,504)	(844)	844	-
Disposals	(1,397)	(64)	(1,461)	-	-	(405)	(1,866)
Reclassifications**	(35)	(281)	(358)	-	-	358	42
At 31 March 2023	89,588	334,621	424,209	5,639	6,997	54,152	490,997
Depreciation and impairment							
At 1 April 2022	37,010	26,169	63,179	-	-	-	63,179
Depreciation charged in year	3,518	2,072	5,590	-	-	-	5,590
Disposals	(870)	(20)	(890)	-	-	-	(890)
Impairment reversed in the year	(45)	(125)	(170)	-	-	-	(170)
Reclassifications**	30	(14)	-	-	-	-	16
At 31 March 2023	39,643	28,082	67,725	-	-	-	67,725
Net book value							
At 31 March 2023	49,945	306,538	356,484	5,639	6,996	54,152	423,272
At 31 March 2022	49,975	304,215	354,190	5,895	4,851	53,355	418,291

* Included within the social housing properties held for letting, 5 hostels valued at £2,220,000 (2022: 5 units at £2,296,000) and 2 rent to home buy properties valued at £221,000 (2022: 2 units at £223,000).
** Reclassification of costs mistakenly categorised as social housing properties or completed shared ownership properties, as well as reclassification of PV panel components from other fixed assets as seen in note 13

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

ASSOCIATION	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 2022	85,558	333,045	418,603	4,225	3,811	54,200	480,839
Additions	-	-	-	5,168	2,999	-	8,167
Works to existing properties	3,113	-	3,113	-	-	-	3,113
Interest capitalised	-	-	-	166	88	-	254
Schemes completed	923	4,900	5,823	(5,823)	(918)	918	-
Disposals	(1,397)	(64)	(1,461)	-	-	(405)	(1,866)
Reclassification**	(77)	(281)	(358)			358	-
At 31 March 2023	88,120	337,600	425,720	3,736	5,980	55,071	490,507
Depreciation and impairment							
At 1 April 2022	36,171	26,168	62,339	-	-	-	62,339
Depreciation charged in year	3,401	2,072	5,473	-	-	-	5,473
Disposals	(870)	(20)	(890)	-	-	-	(890)
Impairment reversed in the year	(45)	(125)	(170)	-	-		(170)
Reclassification**	14	(14)	-	-	-		-
At 31 March 2023	38,671	28,081	66,752	-	-	-	66,752
Net book value							
At 31 March 2023	49,449	309,519	358,968	3,736	5,980	55,071	423,755
At 31 March 2022	49,387	306,877	356,264	4,225	3,811	54,200	418,500

* Included within the social housing properties held for letting, 5 hostels valued at £2,220,000 (2022: 5 units at £2,296,000) and 2 rent to home buy properties valued at £221,000 (2022: 2 units at £223,000).
** Reclassification of costs mistakenly categorised as social housing properties or completed shared ownership properties

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Completed housing properties historical cost, net of depreciation comprises:

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Freehold land and buildings	361,783	356,137	365,011	356,038
Long leasehold land and buildings	48,853	49,558	49,028	50,476
	410,636	**405,695**	**414,039**	**406,514**

Expenditure on works to existing properties:

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Amounts capitalised (components)	3,113	2,164	3,113	2,164
Reversal of provision for fire safety remedial works	-	(3,885)	-	(3,885)
Amounts charged to income and expenditure account	7,425	7,821	7,425	7,821
	10,538	**6,100**	**10,538**	**6,100**

Housing properties with a net book value of £203,431,000 are pledged as security for liabilities.

The following were considered to be indicators of potential impairments as at 31 March 2023:

1 Contractor failure
The failure of a contractor has resulted in the need to procure an additional contract to complete the works on a scheme. The circumstances have led to the total scheme costs exceeding those anticipated at the point the scheme was approved by £0.5m. However, the recovery from a bond and build cost inflation means that the holding cost of £3.0m at 31 March 2023 remains below the depreciated replacement cost and so no impairment is required.

2 Land held for future development
Land with a net book value of £0.8m at 31 March 2023 is held for future development. The expectation is that the land will be used for an affordable housing scheme. A review has concluded that a scheme could be delivered that meets the Group's investment hurdle rate and so no impairment is required.

3 Fire safety works
Fire safety works are underway on a scheme to remedy identified defects with the original construction. The works will increase the net book value of the scheme by £0.2m. The estimated selling price less cost of selling the scheme is considered to be in excess of the carrying value.

4 Remedial work to a tower block
A survey carried out by a prospective purchaser of a property owned by Hastoe identified the potential for additional works of up to £2.5m. Whilst Hastoe has not yet verified the need for these works, or quantified them, they are considered a trigger for potential impairment.

A review of the recoverable amount of the asset, by reference to its service potential utilising the depreciated replacement cost as at 31 March 2023 has determined that an impairment is not required.

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

5 Unsold Shared Ownership properties and tenure conversion

Two shared ownership properties remain unsold at a scheme that completed in March 2022. One is now under offer at above its holding cost. Whilst the other unsold unit is expected to be converted to an affordable rent tenure. As the depreciated replacement cost is in excess of the holding cost, no impairment is required.

Social housing assistance:

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Previously recognised in the Statement of Comprehensive Income	29,567	27,758	29,567	27,758
Deferred capital grant (note 20)	129,120	128,770	129,120	128,770
	158,687	**156,528**	**158,687**	**156,528**

13. TANGIBLE FIXED ASSETS – OTHER

GROUP	**Land and building**	**Furniture and office equipment**	**Computer equipment & software**	**PV Panels**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 April 2022	2,744	320	3,412	46	**6,522**
Additions during year	-	-	60	-	**60**
Reclassification to Housing Properties	-	-	-	(46)	**(46)**
At 31 March 2023	**2,744**	**320**	**3,472**	**-**	**6,536**
Depreciation					
At 1 April 2022	319	288	2,182	14	**2,803**
Charge for the year	29	19	261	2	**311**
Reclassification to Housing Properties	-	-	-	(16)	**(16)**
At 31 March 2023	**348**	**307**	**2,443**	**-**	**3,098**
Net book value					
At 31 March 2023	**2,396**	**13**	**1,029**	**-**	**3,438**
At 31 March 2022	2,425	32	1,230	32	3,719

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 2022	2,744	320	3,330	**6,394**
Additions during year	-	-	60	**60**
At 31 March 2023	**2,744**	**320**	**3,390**	**6,454**
Depreciation				
At 1 April 2022	319	288	2,101	**2,708**
Charge for the year	29	19	260	**308**
At 31 March 2023	**348**	**307**	**2,361**	**3016**
Net book value				
At 31 March 2023	**2,396**	**13**	**1,029**	**3,438**
At 31 March 2022	2,425	32	1,229	3,686

Uncertainty over future office requirements was considered to be an indicator of impairment at 31 March 2023.

Office space has been under-utilised since the enforced changes to working arrangements as a result of the pandemic. This under-utilisation is now permanent as the new hybrid working arrangements have been put in place. However, no impairment is deemed necessary as the current market value of premises exceeds the net book value.

14. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
At 1 April	4,305	4,253	4,305	4,253
Disposals	(132)	-	(132)	-
Revaluation in year	227	52	227	52
At 31 March 2022	4,400	4,305	4,400	4,305

The Group's investment properties were subject to a full valuation on 31 March 2023, 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	5.25%- 5.75%
Annual inflation rate	2.0%
Level of annual rent increase	3.0%

15. INVESTMENT IN SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£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, 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%
Sustainable Homes Limited	Build and sell homes	England	100%

16. STOCK

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Completed - open market sale properties	392	392	392	392
Completed - shared ownership properties	690	546	690	546
Under construction - shared ownership properties	1,137	570	1,137	570
	2,219	1,508	2,219	1,508
Capitalised interest included in the above	77	59	77	59

NOTES TO THE FINANCIAL STATEMENTS

17. DEBTORS

	GROUP		ASSOCIATION	
	2023 £000	2022 £000	2022 £000	2022 £000
Due within one year				
Rental and service charge arrears	1,214	823	1,212	823
Provision for doubtful debts	(598)	(486)	(598)	(486)
	616	337	614	337
Social housing grant receivable	-	134	-	134
Other debtors	314	283	257	248
Amounts owed by subsidiary undertakings	-	-	4,155	4,123
Prepayments and accrued income	1,242	1,188	921	1,162
Amount due from leaseholders and freeholders	1,079	938	1,079	938
	3,251	2,880	7,026	6,942

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2023 £000	2022 £000	2023 £000	2022 £000
Loans and borrowings (note 22)	4,979	4,964	4,979	4,964
Accruals and deferred income	3,489	3,792	2,011	2,249
Sinking funds	3,569	3,267	3,569	3,267
Deferred capital grant (note 20)	1,882	1,890	1,882	1,890
Rent & service charges received in advance	975	930	975	930
Trade creditors	928	808	478	752
Other creditors	220	290	220	291
Amounts due to subsidiary undertakings	-	-	1,767	1,538
Recycled capital grant fund (note 21)	26	146	26	146
Grants received in advance	41	41	41	41
	16,109	16,128	15,948	16,068

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

	GROUP		ASSOCIATION	
	2023 £000	2022 £000	2023 £000	2022 £000
Loans and borrowings (note 22)	226,095	230,284	226,095	230,284
Deferred capital grant (note 20)	127,238	126,880	127,238	126,880
Recycled capital grant fund (note 21)	184	198	184	198
	353,517	357,362	353,517	357,362

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED CAPITAL GRANT

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
As at 1 April	128,770	129,631	128,770	129,631
Grants received during the year	2,166	1,139	2,166	1,139
Grant repaid in the year	-	(157)	-	(157)
Grants amortised during the year	(1,816)	(1,843)	(1,816)	(1,843)
At 31 March	129,120	128,770	129,120	128,770
Amounts to be released within one year	1,882	1,890	1,882	1,890
Amounts to be released in more than one year	127,238	126,880	127,238	126,880
At 31 March	129,120	128,770	129,120	128,770

21. RECYCLED CAPITAL GRANT FUND

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
As at 1 April	343	370	343	370
Grants recycled	88	96	88	96
Drawdown	(216)	(122)	(216)	(122)
Repaid	(5)	-	(5)	-
At 31 March	210	344	210	344
Closing balance consists of:				
Homes England Fund	206	335	206	335
Greater London Authority Fund	4	9	4	9
	210	344	210	344
Amount due for repayment to Homes England/ Greater London Authority				
Within one year	26	146	26	146
Within 2 to 3 years	184	198	184	198
	210	344	210	344

NOTES TO THE FINANCIAL STATEMENTS

22. DEBT AND RELATED AMOUNTS

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Debt:				
Outstanding principle amount	221,000	225,200	221,000	225,584
Cumulative movement in amortised cost	654	365	654	365
Amortised cost	221,654	225,565	221,654	225,949
Related amounts:				
Premium on bond issues	10,848	11,232	10,848	10,848
Loan arrangement fees	(1,428)	(1,549)	(1,428)	(1,549)
Net housing loans due within one year and after more than one year	**231,074**	**235,248**	**231,074**	**235,248**
Housing loans repayable:				
Within one year	4,979	4,964	4,979	4,964
One to two years	5,493	4,978	5,493	4,978
Two to five years	15,217	15,121	15,217	15,121
More than five years	205,385	210,185	205,385	210,185
	226,095	230,284	226,095	230,284
	231,074	**235,248**	**231,074**	**235,248**

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:

	Santander	**Barclays**	**HBOS**	**Bond**
Value (£'000)	500	33,750	36,750	150,000
Interest Rate	4.20%	2.4% - 6.0%	1.3% - 5.6%	5.60%
	Variable	Fixed & Variable	Fixed	Fixed
Maturity	March 2025	April 2037	June 2037	March 2042
Repayment Profile (£'000)				
Within 1 year	-	2,250	2,450	-
1-2 Years	500	2,250	2,450	-
2- 5 Years	-	6,750	7,350	-
After 5 years	-	22,500	24,500	150,000

At 31 March 2023, the Group had undrawn committed loan facilities of £37 million (2022: £38 million) and cash holdings of £4 million (2022: £7 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 1.3% to 6.0%. The proportion of drawn debt on fixed and floating rates is as follows:

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Fixed rate	210,904	213,449	210,904	213,449
Floating rate	10,750	12,500	10,750	12,500
	221,654	225,949	221,654	225,949

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 movements in interest rates and inflation can put financial institutions under increased stress due to a prolonged period of loan defaults. The failure of a Group treasury counterparty is deemed a low risk, and the treasury function will continue to ensure that cash balances held are spread over a number of counterparties.

Interest rate risk

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

Credit risk

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

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

23. NON-EQUITY SHARE CAPITAL

	ASSOCIATION	
	2023	**2022**
	£	**£**
At 1 April	12	10
Issued in year	1	3
Cancelled in year	(5)	(1)
At 31 March	8	12

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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL COMMITMENTS

Capital expenditure commitments were as follows:

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Capital expenditure contracted for but not provided for in the financial statement	7,573	6,239	7,573	6,239
Capital expenditure which has been authorised by the Board but not yet contracted for	32,496	55,356	32,496	55,356

The above commitments will be funded by cash holdings and borrowings of £26.0 million, property sales of £3.2 million and social housing grant of £10.7 million.

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

	GROUP		ASSOCIATION	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Within one year	20	36	20	36
One to five years	8	23	8	23
	28	59	28	59

25. CONTINGENT LIABILITIES

Pension

The Group was notified in 2021 by the Trustee of the Pension Scheme (see note 29) that it had 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 late 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis.

Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply, and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Fire safety

An external wall assessment on a block owned by the Group has identified that remedial works will be required to rectify issues relating to insulation. The same issue is also expected to apply to another block on the same scheme.

Having taken legal advice, it is expected that the contractor that installed the insulation will bear the liability for any such works that are required to rectify the issue. The cost of the remedial works is unknown. As such, no adjustment has been made in these financial statements to reflect any liability.

The Group and Association had no other material contingent liabilities at 31 March 2023 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

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

GROUP	2023 £000	2022 £000
Decrease in cash	(4,592)	(8,653)
Cash outflow from decrease in debt and lease finance	4,200	5,104
Decrease/(increase) in net debt from cash flows	(392)	(3,549)
Movement in amortised cost of financial instruments	(276)	(145)
Amortisation of premium on bond issue	384	370
Amortisation of issue costs	(120)	(120)
	(12)	105
Total changes in net debt for the year	(404)	(3,444)
Net debt at 1 April	(223,499)	(220,055)
Net debt at 31 March	(223,903)	(223,499)

27. ANALYSIS OF NET DEBT

GROUP	1 April 2022 £000	Cashflow £000	Non-cash movement £000	31 March 2023 £000
Cash and cash equivalent	7,463	(3,292)	-	4,171
Short term investments	4,300	(1,300)	-	3,000
Loans	(235,262)	4,200	(12)	(231,074)
Change in net debt	(223,499)	(392)	(12)	(223,903)

28. 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
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 Hastoe Homes Limited, Sustainable Homes Limited and Hastoe Capital plc are not regulated. Charges for development services made by Hastoe Homes Limited are 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.

NOTES TO THE FINANCIAL STATEMENTS

28 RELATED PARTIES (CONTINUED)

At 31 March 2023 Hastoe Housing Association Limited owed Hastoe Homes Limited £1,592,000 (2022: £1,363,000) relating to design and build services. During the year Hastoe Homes made charges of £9,144,000 to Hastoe Housing Association Limited (2022: £11,788,000). Hastoe Housing Association Limited made charges of £771,000 to Hastoe Homes Limited (2022: £731,000).

Hastoe Housing Association Limited has loaned £4,155,000 to Sustainable Homes Limited (2022: £4,123,000). 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 (2022: £8,000).

At 31 March 2023, Hastoe Housing Association Limited owed £160,885,000 to Hastoe Capital plc (2022: £161,269,000) relating to the on lending of a fixed rate bond repayable in full in March 2042. During the year Hastoe Capital plc charged £8,016,000 for interest on loans (2022: £8,053,000).

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 2023, Gaymer Memorial Cottages owed Hastoe Housing Association Limited £nil (2022:£nil) relating to working capital balances repayable on demand. Hastoe Housing Association Limited charged £4,000 for services provided to Gaymer Memorial Cottages (2022: £4,000).

Hastoe Housing Association Limited is the corporate trustee of the Bernard Herridge Charity, a registered charity that owns six homes which are managed by Hastoe Housing Association Limited. At 31 March 2023, Bernard Herridge Charity owed Hastoe Housing Association Limited £13,000 (2022: £12,000) relating to working capital balances repayable on demand. During the year, Hastoe Housing Association Limited charged £38,000 (2022: £36,000) for services provided to the Bernard Herridge Charity.

The aggregate amount of emoluments paid to key management personnel during the year was £709,000 (2022: £696,000).

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 £9,189 and there was no amount owed at the year end.

29. PENSION LIABILITY

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

The Scheme is classified as a 'last-man standing arrangement'. Therefore the 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.

NOTES TO THE FINANCIAL STATEMENTS

29. PENSION LIABILITY (CONTINUED)

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

Financial markets were extremely volatile over quarter 4 of 2022 due to the fallout from the mini-budget announced in September. The material increase in UK Government Bond (Gilt) yields led to a reduction in the overall size of the Scheme – both assets and liabilities. The Scheme's investment strategy utilises liability driven investment (LDI) assets to match the expected development in the Scheme's liabilities for changes in interest rates and inflation expectations and thus reduce the level of funding risk within the Scheme. The remainder of the Scheme's assets are invested in a combination of 'Growth' and 'Matching Plus' assets which aim to outperform the assumptions underlying the Scheme's liabilities. The Growth assets have produced strong returns over the period but the Matching Plus assets have faced significant headwinds due to the rise in yields. Asset values have reduced due to the hedging in place, however liability values have also fallen over the period.

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)

	2023	**2022**
	£000	**£000**
Fair value of plan assets	10,971	16,196
Present value of defined benefit obligation	13,314	18,706
Deficit in plan	(2,343)	(2,510)
Defined benefit liability to be recognised	(2,343)	(2,510)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Year ended 31 March 2023	**Year ended 31 March 2022**
	£000	**£000**
Defined benefit obligation at start of period	18,706	19,593
Expenses	14	14
Interest expense	515	416
Actuarial losses (gains) due to scheme experience	(335)	813
Actuarial gains due to changes in demographic assumptions	(36)	(322)
Actuarial gain due to changes in financial assumptions	(5,054)	(1,286)
Benefits paid and expenses	(496)	(522)
Defined benefit obligation at end of period	13,314	18,706

NOTES TO THE FINANCIAL STATEMENTS

29. PENSION LIABILITY (CONTINUED)

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Fair value of plan assets at start of period	16,196	16,208
Interest income	452	348
Experience on plan assets (excluding amounts in interest income) – loss	(5,720)	(352)
Employer contributions	539	514
Benefits paid and expenses	(496)	(522)
Fair value of plan assets at end of period	10,971	16,196

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

	Year ended 31 March 2022 £000	Year ended 31 March 2022 £000
Expenses	14	14
Net interest expense	63	35
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	77	49

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Experience on plan assets (excluding amounts included in net interest cost) – loss	(5,720)	(352)
Experience gains and losses arising on the plan liabilities – gain (loss)	335	(813)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	36	322
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	5,054	1,286
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(295)	443
Total amount recognised in Other Comprehensive Income - gain (loss)	(295)	443

NOTES TO THE FINANCIAL STATEMENTS

29. PENSION LIABILITY (CONTINUED)

ASSETS

	2023 £000	2022 £000
Global Equity	205	3,108
Absolute Return	119	650
Distressed Opportunities	332	580
Credit Relative Value	414	538
Alternative Risk Premia	20	534
Fund of Hedge Funds	-	-
Emerging Markets Debt	59	471
Risk Sharing	808	533
Insurance-Linked Securities	277	378
Property	472	437
Infrastructure	1,253	1,154
Private Debt	488	415
Opportunistic Illiquid Credit	469	544
High Yield	138	140
Opportunistic Credit	1	58
Cash	79	55
Corporate Bond Fund	-	1,080
Liquid Credit	-	-
Long Lease Property	331	417
Secured Income	504	603
Liability Driven Investment	5,053	4,519
Currency Hedging	21	(63)
Net Current Assets	28	45
Total assets	11,071	16,196

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.

KEY ASSUMPTIONS

	2023 % per annum	2022 % per annum
Discount Rate	4.88%	2.79%
Inflation (RPI)	3.20%	3.62%
Inflation (CPI)	2.74%	3.21%
Salary Growth	3.74%	4.21%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

NOTES TO THE FINANCIAL STATEMENTS

29. PENSION LIABILITY (CONTINUED)

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65
	(Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

The Group was notified in 2021 by the Trustee of the Pension Scheme (see note 29) that it had 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 late 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis.

Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply, and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

30. POST BALANCE SHEET EVENTS

There were no other material post balance sheet events.