Registered Society No 16243R

HASTOE HOUSING ASSOCIATION LIMITED

Report and Group Financial Statements

Year ended 31 March 2020

Contents

Board Members, Executive Directors, Advisors and Bankers

Board

Chairman	Ed Buscall
Vice Chairman	Richard Quallington
Other Members	Elinor Goodman (resigned 8 November 2019) Martin Huckerby Lisa Hughes Andrew Moore Chris Parsons (appointed 7 November 2019) Julie Pearce-Martin (appointed 20 June 2019) Anne Perkins (appointed 7 November 2019) Robert Rutledge Pratik Shah (resigned 8 November 2019) Andrew Wiseman

Executive Directors

Chief Executive	Andrew Potter
Finance Director	William Roberts
Business Development Director	Ulrike Maccariello
Operations Director	Georgina Parkinson
Secretary	William Roberts

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

Strategic Report

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

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
Lowen Homes Limited	Development and sale of homes on the open market.	Company Limited by Shares
Sustainable Homes Limited	Dormant.	Company Limited by Guarantee

Hastoe HA does not provide any form of guarantee to any of the unregulated companies in the Group. Hastoe HA has provided Lowen Homes Limited with a £25m 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. These two agendas drive its strategic ambitions, which are to:

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

The Group operates across a wide geographical area and has a track record of managing and building high quality homes that meet the needs of its many and varied local communities.

Hastoe remains committed to building energy efficient new homes and to retrofitting its existing homes. The development programme is focussed on the provision of affordable rural homes, whilst also balancing the Board's aim to strengthen Hastoe's financial resilience.

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

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

Operating environment

2020 will be remembered as the year that the Covid-19 virus swept across the globe causing human suffering and enormous economic repercussions. The scale of economic support provided by the United Kingdom (UK) Government is unprecedented but, despite this, a significant and prolonged slump in Gross Domestic Product (GDP) is still forecast. Some commentators predict that the declines in global GDP could be greater than were experienced in the depression of the 1930s.

At some point in the future, a decision will need to be made regarding the funding of the Government's interventions to lessen the impact of the crisis; be that running at a higher level of debt, increasing taxes or reducing government expenditure. A choice of the latter could lead to cuts in welfare benefits or the imposition of tighter rent controls on social housing. After four years of rent reductions, from April 2020, it was agreed by the Government that housing associations could raise rents by CPI+1% annually for five years. Hastoe has factored the rent rise into its business plan, whilst being mindful that Government policy can change.

The Bank of England has forecast a 14% fall in UK GDP in 2020 and, perhaps optimistically, expects the fall to be followed by a rapid recovery in 2021. This scenario assumes that unemployment will rise to 8% in 2020 before declining to 4% by 2022. In April 2020, the month following the start of the 'lockdown', the number of Universal Credit claimants increased by around 70% to 2.1m. Despite the support offered by welfare benefits and the furlough scheme, tenant and shared owner rent arrears are likely to rise significantly as a result of the pandemic. At 31 March 2020, the rent arrears of Hastoe tenants and shared owners stood at 2.7% and 1.2% of rent charged, respectively.

In March 2020, the Bank of England implemented two interest rate cuts, reducing the base rate from 0.75% to 0.1%. The Consumer Price Index (CPI) inflation fell to 0.8% in April 2020 and is expected to remain subdued for some time to come.

After six years of house price inflation since 2013, house prices stabilised in 2019. The impact of the Covid-19 pandemic on house prices is expected to lead to a fall in house prices in 2020, with a potential recovery as early as 2021. However, some forecasters have stated that a severe downside scenario could be a drop in house prices by as much as 30% over the next three years. The Board remains mindful of sales risk and had previously reduced Hastoe's development programme and exposure to open market sales.

In December 2019, a new majority Government was elected. After an extended period of uncertainty, on 31 January 2020, the United Kingdom formally left the European Union and entered a transition period that is due to expire on 31 December 2020. It remains unclear as to whether or not the transition period will need to be extended whilst governments seek to manage the Covid-19 pandemic and address its impacts.

The Government accepted in full the findings of the first phase report into the Grenfell Tower fire, published on 30 October 2019. Recommendations included: the development of national guidelines for carrying out partial or total evacuations of high-rise buildings; the regular checking of all fire doors; the removal of aluminium composite material (ACM) cladding and a ban on using combustible materials in new developments. Phase two of the Grenfell Inquiry began in January 2020 and is investigating the events that led up to the fire in the months and years preceding it. This second phase of the Inquiry is expected to find failings in the construction industry and the process of product testing and certification. The Government has asked the Health & Safety Executive to establish a new building safety regulator to oversee the safe design, construction and occupation of high risk buildings. Hastoe owns three properties over 18 metres tall, none of which are constructed with ACM.

The Building Better, Building Beautiful Commission was launched by the Ministry of Housing, Communities and Local Government in November 2018 to promote better design, style and community consent in new housing. Hastoe had some success in influencing the work of the Commission from a rural perspective and was referenced in the Commission's interim report published in July 2019. The final report was published in January 2020.

Strategic Report

In March 2019, the Chancellor announced a 'Future Homes Standard' to mandate low carbon heating and world-leading levels of energy efficiency for all new build homes by 2025. It is designed to be a stepping stone to achieve a target, set in law, to bring all the UK's greenhouse gas emissions to net zero by 2050. Hastoe has been building energy-efficient homes for many years and is now formalising a Hastoe Standard which will illustrate how rural housing associations are already leading the way on standards relating to energy efficiency, quality and design.

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

Risks and uncertainties

Risk assessment

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

Key risk	Description and risk mitigation
Landlord Health & Safety	Failure to meet health & safety responsibilities resulting in injury or death. The current Covid-19 crisis makes access to properties and safe working arrangements more challenging. The Board reviews a series of health & safety performance indicators and approves a health & safety policy. The Group employs specialist external consultants to support an experienced staff team. Further assurance is provided by a programme of independent internal audits and compliance tests. Hastoe works with its maintenance contractors to ensure that services are provided as safely as possible.
Rent Controls	Political or economic changes, potentially as a result of the Covid-19 pandemic, result in controls on social rents that are less favourable than the current expectation of increases being capped at the consumer prices index plus 1% for the next 5 years. The Board reviews the financial plan, and associated stress testing, to gain assurance of the Group's financial viability.
Cost of Fire Safety Remedial Works	The cost of remedial fire safety works, on properties with latent defects, are not recovered from contractors. The Board takes appropriate action, subject to legal advice, to recover the costs of the works and other associated costs. The Board has made a provision in these financial statements of £0.9m to reflect the fact that only a proportion of the costs may be recoverable.
Rent Arrears	The economic disruption caused by Covid-19 results in higher unemployment and an associated material increase in the level rent arrears. Hastoe has invested in its housing management system and offers a wide range of welfare benefit and financial management information to tenants. The Group's arrears levels are in the top quartile for the housing association sector. The Board has stress tested a material reduction in the level of rent recovery to gain assurance of the Group's financial viability.

Strategic Report

Financial review

Income and Expenditure

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

For the year ended 31 March	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Total Turnover	**34,072**	**32,754**	**34,331**	**34,057**	**33,607**
Income from social housing lettings	28,597	28,402	28,355	27,936	27,507
Surplus on first tranche and open market property sales	510	371	1,340	1,058	955
Gain on disposal of properties	1,026	1,685	3,763	3,397	3,297
Operating Surplus	**12,472**	**14,061**	**18,197**	**18,268**	**16,096**
Net interest costs	(10,996)	(11,296)	(10,589)	(10,840)	(10,731)
Surplus for the Year	**1,476**	**2,861**	**6,658**	**8,097**	**5,657**

Operating Margin	**37%**	**43%**	**53%**	**54%**	**48%**
Operating margin on social housing lettings	38%	44%	47%	49%	44%
Interest Cover*	**1.5**	**1.6**	**2.0**	**1.9**	**1.7**
EBITDA MRI Interest Cover**	**1.3**	**1.1**	**1.4**	**1.4**	**1.2**

** 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 £1.5m (2019: £2.9m) at an operating margin of 37% (2019: 43%). The decline in the surplus is predominately due to the inclusion of a £0.9m provision related to a property requiring extensive fire safety remedial works and a reduction in the surplus generated from property sales, being £0.5m lower than in the previous year.

Turnover from first tranche and open market property sales was £3.3m (2019: £1.9m) and generated a margin of 15% (2019: 19%). The Board had recognised the slowdown in the housing market and as a result sold a land holding in the year, to reduce the Group's exposure to open market sales. Excluding the land sale, the margin on first tranche and open market property sales was 23%.

The combined effect of the sale of the land holding, at a breakeven value, and the £0.9m provision explains the reduction in the operating margin.

Turnover from social housing lettings of £28.6m (2019: £28.4m) has risen only a modest amount over the previous year, as the rents from newly built homes have been broadly offset by the rent reductions imposed by Government. Excluding the £0.9m provision, operating costs on social housing lettings have increased by 5% in the year, mainly due to an increase in routine maintenance costs. As a result the operating margin on social housing lettings, which includes the impact of the provision, fell to 38% (2019: 44%).

Strategic Report

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	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Fixed assets at cost or valuation	417,037	417,660	410,829	400,933	394,734
Net current assets / (liabilities)	12,651	17,635	(2,588)	4,599	3,459
Total assets less current liabilities	**429,688**	**435,295**	**408,241**	**405,532**	**398,193**
Creditors and provisions - over one year	368,839	378,411	352,421	356,370	357,128
Revenue reserve	60,849	56,884	55,820	49,162	41,065
	429,688	**435,295**	**408,241**	**405,532**	**398,193**

Net Debt* : total assets less current liabilities	50%	50%	53%	52%	53%
Debt ** per unit owned	£31,955	£32,757	£30,556	£30,863	£30,194
Debt *** : revenue	6.9	7.3	6.5	6.6	6.7
Liquidity ****	1.9	2.2	0.8	1.4	1.3
Total units owned and managed	**7,669**	**7,630**	**7,595**	**7,511**	**7,390**

* *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 £403m (2019: £401m). The Group has grown rapidly over the last fifteen years, through new build development. This has been funded by increased borrowings, grant and the investment of Hastoe's reserves.

Gearing levels have remained relatively stable over the last five years, although the sale of £25m of retained bonds in January 2019 led to an increase in the measures that exclude cash holdings. The remaining proceeds from the sale of the retained bonds will be used to fund the building of new homes and repayment of existing bank loans. Scheduled loan repayments of £5m fall due in the coming year.

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 2017 and the results are shown in note 19. A SHPS defined contribution scheme remains available to existing and new members of staff.

Strategic Report

Treasury management

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

At the year end, the Group had committed debt funding of £273m. Available liquid resources of £50m (cash holdings of £12m and undrawn loan facilities of £38m) are sufficient to meet the Group's committed expenditure. The Group's drawn debt has limited refinancing risk with only 20% of the Group's debt maturing within the next ten years. The undrawn loan facility of £38m is committed until 2025. At the year end, Hastoe Capital plc held £50m of retained bonds.

The Group borrows at both fixed and floating rates of interest. At the year end, 96% of debt was fixed rate and 4% 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. Covenants are monitored regularly, by the Executive Team and Board, and were met throughout the year for all loan facilities and the bond.

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

Cash inflows and outflows during the period are shown in the consolidated cash flow statement on page 29.

Development

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

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

There has been continued strong demand for the homes that the Group has built and at the year end there were just three unsold homes in stock, all of which had been available for sale for less than 90 days.

Cash spent on new homes amounted to £6m during the period, financed through existing cash balances, grants and operating cash generated.

Performance indicator	2019/20 actual units	2019/20 target units	2018/19 actual units
New Homes - starts on site	18	59	41
New Homes – completed	48	60	43
Sales – shared ownership first tranche	14	18	11
Sales – open market sales	2	3	3

Strategic Report

Value for Money

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

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

	2019/20 outturn	2018/19 outturn	VFM Target	VFM Target Met	Top quartile	Median
Reinvestment	1.4%	3.1%	> =4.4%	✗	8.7%[1]	6.2%[1]
New Supply Deliver - Social	0.9%	0.8%	>= 1.4%	✗	2.5% [1]	1.5%[1]
New Supply Delivered - Non-Social	0%	0.1%	>= 0.0%	✓	0.1%[1]	0%[1]
Gearing	55.0%	55.5%	<= 55%	✓	53.9%[1]	43.4%[1]
Debt : Revenue	6.9	7.3	<= 6.5	✗	-	3.8[2]
EBITDA MRI Interest Cover	131%	116%	>= 129%	✓	238%[1]	184%[1]
Social Housing Interest Cover	98%	109%	>= 106%	✗	-	152%[2]
Operating Margin *	34%	38%	>= 34%	✓	30.8%[1]	25.8%[1]
Net Margin *	5%	8%	>= 5%	✓	-	11%[2]
Return on Capital Employed (ROCE)	2.9%	3.2%	>= 3.2%	✗	4.7%[1]	3.8%[1]

1 Regulator of Social Housing: 2019 Global Accounts Annex – Value for Money Metrics: Table 1
2 Regulator of Social Housing: 2019 Global Accounts (mean average)
* Excluding the gains from the disposal of properties

Hastoe does not distribute dividends to shareholders. The surplus made each year is reinvested in existing homes or used to build new homes. The level of reinvestment, funded by the surplus, debt and grant, was equivalent to 1.4% of the cost of the Group's existing assets. This was well below the median rate for the sector, in part due to the relatively high historic cost of Hastoe's properties – a product of building a high proportion of its homes in recent years. The decline in Hastoe's reinvestment rate, as compared to the previous year, was due to a reduction in the level of expenditure on both new build homes and capitalised repairs on existing homes. Despite the fall in expenditure on new build homes, the growth in the number of new social homes completed in the year rose slightly to 0.9% (45 homes) from 0.8% (40 homes) but was below the target set of 1.4%.

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 lower levels of capital grant made available, by the government to the housing association sector, in recent years has also meant that the Group has had to borrow more for each new home it builds. The result is relatively low interest cover ratios and relatively high gearing ratios. The Group's ratio of debt to revenue was 6.9 times at 31 March 2020. This is significantly higher than average for social housing providers at 31 March 2019 of 3.8 times[2].

The ability to meet the interest costs, as measured by EBITDA MRI interest cover, increased to 131% in 2019/20 (2018/19: 116%). Whilst the ratio has improved, driven by a reduction in the level of capitalised repair costs in the year, it remains significantly lower than the median for the sector of 184%[1].

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 fell below 100% in the year due to the inclusion of the £0.9m impairment charge. Excluding this charge, the social housing interest cover was 106%, in line with the target set.

Strategic Report

The Group's ability to service higher levels of debt is reliant upon being efficient and maintaining a tight control of operating costs, as demonstrated by its high operating margins. The Group's operating margin (excluding the gains from the disposal of properties) of 34% compares favourably with the upper quartile performance in the housing sector of 30.8%[1]. The decline in the operating margin since 2019 is a result of the inclusion of the £0.9m provision, the final year of rent cuts and an increase in routine repair costs.

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 fell to 2.9% (2019: 3.2%) as a result of the lower operating surplus in the year, for which the £0.9m provision was the major contributory factor. The median ROCE for the social housing sector was 3.8% in 2018/19. The Group's operating margin was top quartile but the ROCE was lowered due to the relative newness of Hastoe's social housing. Around half the Group's social housing has been built in the last fifteen years and therefore has a relatively high cost.

The combination of relatively high levels of debt and high operating margins has meant that the Group has been effective in maximising its borrowing capacity to deliver against its ambitions. The Board still wishes to meet housing need by building new high quality social housing. However, for the foreseeable future, development will be at more modest levels, whilst Hastoe looks to increase its financial resilience. The Board has targeted to increase the amount of Hastoe's social housing by around 1.3% per year (1.5% - median rate for the sector[1]) over the next three years, whilst increasing the net margin to 7% by 2022/23.

Return on Assets

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

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

In line with the Group's strategic ambition, Hastoe builds its new properties to high environmental standards. The coming year will see the launch of the 'Hastoe Standard', which is designed to demonstrate how quality affordable housing can be built within a constrained budget.

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

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

Service Performance and Costs

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

Strategic Report

Performance indicator	2019/20 outturn	2019/20 target	Benchmark (where available)	2018/19 outturn
Customers satisfied with the way their call was dealt with	62%	80%	-	-
On-line transactions	16%	13%	-	-
Satisfaction with last repair	77%	80%	94% [1]	78%
Repairs completed on time	84%	80%		77%
Re-let times (excluding major works)	21 days	16 days	17 days [1]	17 days
New let times	0 days	2 days	-	1.5 days
Current tenant rent arrears – general needs properties	2.7%	2.5%	2.7% [1]	2.9%
Current rent arrears – shared owners	1.2%	1.3%	-	1.3%
Void losses	0.6%	0.5%	0.6% [1]	0.4%
Gas safety compliance	100%	100%	100%	100%
Homes meeting the Decent Homes Standard	100%	100%	-	100%

1 Housemark all housing associations benchmarking 2018/19 – top quartile

Service performance was mixed in 2019/20 with a continuation of the record of providing well maintained, safe homes and a low level of rent arrears and void losses, offset by disappointing satisfaction scores.

The level of satisfaction with calls received by the call centre deteriorated markedly in March 2020, as staff sickness and isolation contributed to long wait times. The satisfaction levels during the year fluctuated but also reflected dissatisfaction with waiting times.

Running a small call centre presents the challenge of delivering appropriately trained staff resource, at the right time, to mirror call demand. To help address the issue, Hastoe has invested in technology and encourages customers to access services on-line. In 2019/20, 16% of transactions were on-line, which bettered the target of 13%.

Satisfaction with repairs has remained below target. The performance was in the lower quartile for the sector, although it is based on Hastoe's own surveys rather than data provided by the contractors. Hastoe has continued to work with its contractors to deliver improvements to this service, with regular reports on progress being monitored by the Board.

Re-lets times increased in the year, after a number of years where performance was in in the top quartile for the sector. A target has been set for the coming year to return to top quartile performance.

Around 15% (2019: 10%) of Hastoe's social tenants were in receipt of Universal Credit at 31 March 2020 and these tenants had average arrears of 6.0% (2019: 7.6%), which contributed to the overall increase in current tenant rent arrears. The Group's arrears performance is in the top quartile of the sector. Hastoe continues to offer welfare benefit advice, as well as working closely with a number of citizens' advice bureaux and similar organisations.

Where applicable, all Hastoe's homes met the Decent Homes Standard, had a valid fire risk assessment and an up to date gas safety certificate at 31 March 2020 and 31 March 2019.

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Social housing margin and costs	2019/20 outturn	2018/19 outturn	Top Quartile	Median
Social housing lettings operating margin	38.5%	44.0%	34.0%[1]	27.2%[1]
Social housing cost per unit	£2,522	£2,901	£3,170[1]	£3,725[1]
Management cost per unit	£619	£633	£842[1]	£1,059[1]
Maintenance cost per unit (including capitalised repairs)	£1,486	£1,764	£1,236[1]	£1,654[1]
Service charge cost per unit	£218	£209	£208[1]	£365[1]

1. Housemark: Sector scorecard analysis report 2019

The Group's social housing operating cost per unit and margin compares favourably with the top quartile for the sector[1], driven by a low management cost per unit and, in the current financial year, a reduced spend on capitalised major repairs. The Group's management model provides an efficient and effective response to the dispersed nature of its stock. In 2018/19, the Group's maintenance cost per unit was higher than the median for the sector[1] due to an increased investment in fire safety works. Although maintenance expenditure fell in 2019/20, over the long term it is forecast that Hastoe's maintenance costs will be around the sector median.

Value for Money Plans

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

	2020/21	2021/22	2022/23
EBITDA MRI* interest cover	129%	138%	138%
Social housing interest cover	115%	111%	114%
Operating margin **	41%	37%	38%
Operating margin on social housing lettings	44%	42%	42%
Net margin **	7%	8%	7%
Gearing	52%	53%	53%
Gearing (debt / revenue)	7.2	6.6	6.7
New supply delivered (social housing)	0.6%	1.8%	1.3%
New supply delivered (non-social housing)	0%	0%	0%
Reinvestment	6.5%	8.2%	5.2%
Return on Capital Employed	3.3%	3.2%	3.2%

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

The aim is to increase Hastoe's financial resilience whilst

- Continuing to build high quality social housing for rural communities by starting on site with 89 homes by March 2021 (105 starts on site 2022, 105 starts on site 2023).
- Achieving customer satisfaction of 78% by March 2021 (84% 2022, 89% 2023).
- Maximising the potential of Hastoe's new housing management system and increasing the percentage of on-line customer contact from 16% to 20% by 31 March 2021.
- Achieving satisfaction with the last responsive repair of 85% by March 2021.
- Attaining staff satisfaction of 80% by March 2021.

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

Strategic Report

The Board

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

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

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

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

Attendance at Board and Committee meetings for the year ended 31 March 2020 was as follows, with the number of meetings that the board member was expected to attend shown in brackets.

	Group Board	Audit Committee *	Remuneration & Nomination Committee
Ed Buscall	8 (8)	-	3 (3)
Elinor Goodman	6 (6)	-	2 (2)
Martin Huckerby	8 (8)	3 (3)	-
Lisa Hughes	6 (8)	2 (3)	-
Andy Moore	7 (8)	-	1 (1)
Julie Pearce-Martin	6 (7)	-	-
Chris Parsons	2 (3)	-	-
Anne Perkins	2 (3)	-	1 (1)
Richard Quallington	7 (8)	-	3 (3)
Robert Rutledge	8 (8)	3 (3)	-
Pratik Shah	5 (6)	-	1 (2)
Andrew Wiseman	7 (8)	1 (3)	-

* On 1 April 2020, the Audit Committee's terms of reference were amended and it became the Audit & Risk Committee.

At least every three years, the Board undertakes a formal review of governance effectiveness. The outcomes from latest review were reported to the Board in September 2019. One of the outcomes was a transition from an Audit Committee to an Audit & Risk Committee, which happened in April 2020.

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

	2020	**2019**
	£	**£**
Ann Bugden **	1,274	4,590
Ed Buscall	11,750	11,220
Elinor Goodman **	2,865	4,590
Martin Huckerby	7,000	6,120
Lisa Hughes	5,610	5,610
Charlotte Male	-	458
Andy Moore	4,750	6,120
Julie Pearce-Martin *	3,701	-
Chris Parsons *	1,904	-
Anne Perkins *	1,904	-
Richard Quallington	7,000	6,630
Robert Rutledge	5,610	5,610
Pratik Shah **	2,865	4,590
Andrew Wiseman	5,610	5,610
	61,843	61,148

* appointed during the year. ** resigned during the year

Strategic Report

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

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

The Association complies with the recommendations of the NHF Code of Governance (2015 edition).

Executive Directors

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

Service contracts

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

Pensions

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

Other benefits

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

Board Report

Internal Controls

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

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2019 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 2020 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). Hastoe is reviewed against the regulatory framework. The latest review by the RSH, in October 2019, considered that Hastoe had achieved the highest rating for governance (G1) and second highest rating for financial viability (V2). The Board's aim is to increase the Group's financial resilience.

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

Board Report

Going concern

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

Annual general meeting

The annual general meeting will be held on 17 September 2020 at, Marina House, 17 Marina Place, Hampton Wick, Surrey KT1 4BH.

External auditors

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

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

Disclosure of information to the auditors

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

The report of the Board was approved by the Board on 16 July 2020 and signed on its behalf by:

Ed Buscall
Chairman

Statement of Responsibilities of the Board

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

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

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Hastoe Housing Association Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>Our response to the key audit matter</th></tr>
<tr><td>Going Concern</td><td></td></tr>
<tr><td>As disclosed in note 2, following the outbreak of COVID-19, and the resultant impact on the overall economy, management have considered the appropriateness of the going concern basis of preparation for the group as well as the parent entity.

The board's assessment of going concern involves a number of subjective judgements including estimates of rent collection, property sales and maintenance spend which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such, this has been identified as a Key Audit Matter.</td><td>Our audit response involved the following:
Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.
Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to September 2021 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
We challenged management's assessment of reasonably possible scenarios on the impact of trading against actual trading results subsequent to the Government's lockdown instruction.
We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations.
We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.
Key observations:

Our key observations are set out in the conclusions related to going concern section of our audit report.</td></tr>
<tr><td colspan="2">Net realisable value of property developed for sale</td></tr>
<tr><td>As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties</td><td>Having obtained management's assessment of the net realisable value of properties developed for sale, selecting a sample on which to perform detailed testing. Samples were chosen from the populations of items that represented both developments under</td></tr>
</table>

developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £3,413,000. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	construction as well as completed developments at year-end.For the selected completed properties, agreeing the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. For the selected properties under development, obtaining details of the expected costs to complete from the scheme budget for that development and agreeing the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. Assessing the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. *Key observations:* Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into 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.

We determined materiality for the financial statements as a whole to be £6,648,000 (2019 - £4,495,000) which represents 1.5% of total assets (2019 – 1% of total assets). We considered the prior year audit findings and as a result increased the threshold in the current year.

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities' lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £1,221,000 (2019 - £900,000), which is 7.5% of adjusted operating profit (2019 - 5%).

We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £6,648,000 (2019 - £4,270,000) with a specific materiality set at £1,221,000 (2019 - £855,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% (2019 – 70%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £249,000 for areas considered using financial statement materiality and £46,000 for areas considered using specific materiality (2019 - £89,900 / £18,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

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

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, 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 or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. We identified two components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Hastoe Capital Plc was identified as a significant component due to its risk characteristics.

We determined materiality to be £2,432,000 (2019 - £1,625,000) which represents 1.5% total assets (2019 – 1.0% of total assets).

We used total assets as our chosen benchmark to determine materiality as the entity on lends funds raised in the capital markets to group companies and therefore will have greatest impact on decisions made by users of the accounts.

Other information

The board is responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of responsibilities of the Board, set out on page 34, 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 is 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.

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

Other matters

Following the recommendation of the audit committee, we were appointed by the board on 7 February 2019 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2019 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with 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.

Elizabeth Kulczycki, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £ '000	2019 £ '000
Turnover	3	34,072	32,754
Cost of sales	3	(2,821)	(1,577)
Operating expenditure	3	(19,805)	(18,801)
Gain on disposal of properties	3, 6	1,026	1,685
Operating surplus	3, 5	12,472	14,061
Interest receivable	7	169	68
Interest payable and financing costs	8	(11,165)	(11,432)
Surplus before taxation		1,476	2,697
Tax on surplus	11	-	164
Surplus for the financial year		1,476	2,861
Actuarial gain/(loss) in respect of pension schemes		2,489	(1,797)
Total Comprehensive Income		3,965	1,064

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

Association Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £ '000	2019 £ '000
Turnover	3	32,623	32,512
Cost of sales	3	(1,007)	(826)
Operating expenditure	3	(20,141)	(19,043)
Gain on disposal of properties	3, 6	1,026	1,685
Operating surplus	3, 5	12,501	14,328
Interest receivable	7	364	329
Interest payable and financing costs	8	(11,176)	(11,486)
Gift Aid		46	103
Surplus before taxation		1,735	3,274
Tax on surplus	11	-	159
Surplus for the financial year		1,735	3,433
Actuarial gain/(loss) in respect of pension schemes		2,489	(1,797)
Total Comprehensive Income		4,224	1,636

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2020

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

For the year ended 31 March 2019

	Income and expenditure £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2018	55,480	340	55,820
Total Comprehensive income	1,064	-	1,064
Transfer from revaluation reserve to income and expenditure reserve	-	-	-
Balance at 31 March 2019	56,544	340	56,884

Association Statement of Changes in Reserves

For the year ended 31 March 2020

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

For the year ended 31 March 2019

	Income and expenditure reserve £ '000	Revaluation reserve £ '000	Total Revenue Reserve £ '000
Balance at 1 April 2018 restated	58,868	340	59,208
Total Comprehensive income	1,636	-	1,636
Transfer from revaluation reserve to income and expenditure reserve	-	-	-
Balance at 31 March 2019 restated	60,504	340	60,844

Consolidated Statement of Financial Position

At 31 March 2020

	Note	2020 £ ’000	2019 £ ’000
Fixed assets			
Housing properties	12	408,697	409,248
Investment properties	13	4,253	4,485
Other tangible fixed assets	14	4,087	3,927
		417,037	417,660
Current assets			
Stock	16	3,413	4,873
Debtors	17	2,508	3,014
Short term investments		8,700	19,500
Cash and cash equivalents		12,459	4,457
		27,080	31,844
Creditors: Amounts falling due within one year	18	(13,528)	(14,209)
Provision for liabilities and charges	24	(901)	-
Net current assets / (liabilities)		12,651	17,635
Total assets less current liabilities		429,688	435,295
Creditors: Amounts falling due after more than one year	19	(367,141)	(373,843)
Pension liability	23	(1,698)	(4,568)
Net assets		60,849	56,884
Capital and reserves			
Non-equity share capital	25	-	-
Revenue reserve		60,849	56,884
Consolidated funds		60,849	56,884

The financial statements were approved by the Board on 16 July 2020 and signed on its behalf by:

E Buscall Chairman	M Huckerby Board member	W Roberts Secretary

Association Statement of Financial Position

At 31 March 2020

	Note	2020	2019
		£ '000	**£ '000**
Fixed assets			
Housing properties	12	410,507	410,849
Investment properties	13	4,253	4,485
Other tangible fixed assets	14	4,042	3,876
Investments	15	550	550
		419,352	419,760
Current assets			
Stock	16	691	937
Debtors	17	6,865	8,669
Short term investments		8,700	19,500
Cash and cash equivalents		12,275	4,283
		28,531	33,389
Creditors: Amounts falling due within one year	18	(13,075)	(13,894)
Provision for liabilities and charges	24	(901)	-
Net current assets		14,555	19,495
Total assets less current liabilities		433,907	439,255
Creditors: Amounts falling due after more than one year	19	(367,141)	(373,843)
Pension liability	23	(1,698)	(4,568)
Net Assets		65,068	60,844
Capital and reserves			
Non-equity share capital	25	-	-
Revenue reserve		65,068	60,844
Association's funds		65,068	60,844

The financial statements were approved by the Board on 16 July 2020 and signed on its behalf by:

E Buscall Chairman	M Huckerby Board member	W Roberts Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 £ '000	2019 £ '000
Cash flows from operating activities			
Operating surplus		12,472	14,061
Depreciation and impairment		5,778	5,560
Pension costs less contributions payable		(481)	(422)
Amortised Grant		(1,778)	(1,801)
Disposal of properties		757	698
Change in value of investment property		232	-
Increase in provisions		901	
Decrease/(increase) in stocks		1,460	50
(Increase)/decrease in trade and other debtors		81	(529)
(Decrease)/increase in trade creditors		184	(74)
Cash generated from operations		19,606	17,543
Tax Paid		-	(595)
Net cash from operating activities		19,606	16,948
Cash flows from investing activities			
Purchase and construction of housing properties		(6,488)	(13,400)
Purchase of other fixed assets		(499)	(598)
Interest received		169	68
Social housing grant - received		1,243	1,799
Disposal/(purchase) of short term investments		10,800	(19,500)
Net Cash From Investing Activities		5,225	(31,631)
Cash Flows From Financing Activities			
Interest paid		(11,768)	(11,765)
Loans received		-	38,765
Loan arrangement costs		(235)	(363)
Loans repaid		(4,826)	(13,391)
Net Cash From Financing Activities		(16,829)	13,246
Net Decrease in cash and cash equivalents		8,002	(1,437)
Cash and cash equivalents at beginning of period		4,457	5,894
Cash and Cash Equivalents at the end of the period	28	12,459	4,457

	31 March 2019 £000	Cash Flow £000	31 March 2020 £000
Group reconciliation of net debt			
Cash Balances	4,457	8,002	**12,459**
Short term investments	19,500	(10,800)	**8,700**
Debt falling due within one year	(5,053)	(14)	**(5,067)**
Debt falling due after one year	(246,054)	5,663	**(240,391)**
Net Debt	(227,150)	2,851	**(224,299)**

Notes to the financial statements

1. Legal status

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

2. Principal accounting policies

Basis of preparation

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

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and all its subsidiaries at 31 March 2019 as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Senior Management and Board have been reviewing financial plans for the next three years to ensure the Association can remain a going concern. The Association is modelling a number of scenarios based on current estimates of rent collection, property sales and maintenance spend. The board will continue to review plans with Management to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

The Government's decisions on social distancing have had a significant effect on our financial situation and resulted in an estimated £2m reduction in operating surplus for 2021. This will not cause the Association to breach our bank covenants. This is across all areas of income, with much of this from income collection and sales as we saw difficulties for residents to pay their rent and difficulties for homebuyers to complete mortgage transactions, as well as an increase in operating costs offset by some delays in planned maintenance.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a weekly basis and review financial stability as matters progress.

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

Notes to the financial statements

2. Accounting policies (continued)

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

Capitalisation of property development costs
Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. The total amount of development salaries and associated on costs capitalised in the year was £534,000 (2019: £687,000).

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

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

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

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. A 10% shortening of the all of the asset lives would increase the depreciation charge by £535,000 (2019: £514,000). Accumulated depreciation at 31 March 2020 was £54,938,000 (2019: £49,521,000).

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 19. An increase in the discount rate of 0.1% would increase the liability by £307,000. Adding one year to life expectancy would increase the liability by £599,000.

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

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

Service charge income is accounted for on the basis of the estimated value of goods or services supplied during the period. For variable service charges, the actual amount of the goods and services incurred is calculated after each year end and any over or under recovery of service charge amounts due is reflected as a creditor or debtor, respectively.

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

Notes to the financial statements

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

2. Accounting policies (continued)

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period. Housing Properties are depreciated from the month following their practical completion or acquisition.

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

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

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

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

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

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

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

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

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

Notes to the financial statements

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pensions
The Group participates in a funded multi-employer defined benefit scheme, the Social Housing Pension Scheme (‘SHPS’). For the financial year ending on 31 March 2020, 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.

Notes to the financial statements

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

GROUP – continuing activities

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

			2019	
	Turnover	**Cost of Sales**	**Operating Costs**	**Operating surplus(deficit)**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Social housing lettings	28,402	-	(15,902)	12,500
Other social housing activities				
First tranche sales	1,090	(826)	-	264
Leasehold/freehold service charges	76	-	(69)	7
Development costs on abortive schemes	-	-	(243)	(243)
Other development costs not capitalised	-	-	(586)	(586)
Management services	10	-	-	10
Community Development	-	-	(239)	(239)
Other	-	-	(80)	(80)
	1,176	(826)	(1,217)	(867)
Non-social housing activities				
Leasehold/freehold service charges	1,191	-	(1,195)	(4)
Open market sales	858	(751)	-	107
Training and consultancy	244	-	(248)	(4)
Other	883	-	(239)	644
	3,176	(751)	(1,682)	743
Profit on disposal of properties	-	-	-	1,685
Investment property revaluation	-	-	-	-
	32,754	(1,577)	(18,801)	14,061

Notes to the financial statements

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

ASSOCIATION – continuing activities

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

	2019			
	Turnover £ '000	**Cost of Sales £ '000**	**Operating costs £ '000**	**Operating surplus/(deficit) £ '000**
Social housing lettings	28,402	-	(15,902)	12,500
Other social housing activities				
First tranche sales	1,090	(826)	-	264
Leasehold/freehold service charges	76	-	(69)	7
Development costs on abortive schemes	-	-	(17)	(17)
Other development costs not capitalised	-	-	(290)	(290)
Management services	1,093	-	(1,197)	(104)
Community Development	-	-	(239)	(239)
Other	-	-	(79)	(79)
	2,259	(826)	(1,891)	(458)
Non-social housing activities				
Leasehold/freehold service charges	1,191	-	(1,195)	(4)
Open market sales	-	-	-	-
Other	660	-	(55)	605
	1,851	-	(1,250)	601
Gain on disposal of properties	-	-	-	1,685
Investment property revaluation	-	-	-	-
	32,512	(826)	(19,043)	14,328

Notes to the Financial Statements

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

Particulars of income and expenditure from social housing lettings

GROUP

	General Needs Housing £ ’000	**Shared Ownership £ ’000**	**2020 Total £ ’000**	**2019 Total £ ’000**
Rent receivable net of identifiable service charges	23,054	2,718	25,772	25,585
Service charge income	801	246	1,047	1,016
Amortised government grants	1,715	63	1,778	1,801
Turnover from social housing lettings	25,570	3,027	28,597	28,402
Management	(2,762)	(340)	(3,102)	(3,151)
Service charge costs	(835)	(256)	(1,091)	(1,042)
Routine maintenance	(4,040)	-	(4,040)	(3,525)
Planned maintenance	(826)	-	(826)	(788)
Major repairs expenditure	(1,767)	-	(1,767)	(1,696)
Bad debts	(221)	-	(221)	(190)
Property lease charges	(186)	-	(186)	(209)
Depreciation of housing properties*	(5,416)	-	(5,416)	(5,257)
Provision for liabilities	(488)	(413)	(901)	
Other costs	(49)	-	(49)	(44)
Operating costs on social housing lettings	(16,590)	(1,009)	(17,599)	(15,902)
Operating surplus on social housing lettings	8,980	2,018	10,998	12,500
Void losses	152	-	152	105

ASSOCIATION

	General Needs Housing £ ’000	**Shared Ownership £ ’000**	**2020 Total £ ’000**	**2019 Total £ ’000**
Rent receivable net of identifiable service charges	23,054	2,718	25,772	25,585
Service charge income	801	246	1,047	1,016
Amortised government grants	1,715	63	1,778	1,801
Turnover from social housing lettings	25,570	3,027	28,597	28,402
Management	(2,762)	(340)	(3,102)	(3,151)
Service charge costs	(835)	(256)	(1,091)	(1,042)
Routine maintenance	(4,040)	-	(4,040)	(3,525)
Planned maintenance	(826)	-	(826)	(788)
Major repairs expenditure	(1,767)	-	(1,767)	(1,696)
Bad debts	(221)	-	(221)	(190)
Property lease charges	(186)	-	(186)	(209)
Depreciation of housing properties*	(5,416)	-	(5,416)	(5,257)
Provision for liabilities	(488)	(413)	(901)	
Other costs	(49)	-	(49)	(44)
Operating costs on social housing lettings	(16,590)	(1,009)	(17,599)	(15,902)
Operating surplus on social housing lettings	8,980	2,018	10,998	12,500
Void losses	152	-	152	105

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

Notes to the Financial Statements

4. Accommodation in management

Group and Association

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

	2019 No.	Reclass	Additions	Disposals	2020 No.
Social housing					
General housing – social rent	3,294	(2)	-	(2)	3,290
General housing – affordable rent	859	2	31	-	892
Shared ownership	817	-	14	(8)	823
Leasehold	279	-	-	-	279
Total owned	5,249	-	45	(10)	5,284
Accommodation managed for others	10	-	-	-	10
Total owned and managed	5,259	-	45	(10)	5,294
Non-social housing					
Market rent	9	-	-	(1)	8
Leasehold	2,068	-	10	(11)	2,067
Total owned	2,077	-	10	(12)	2,075
Accommodation managed for others	294	-	6	-	300
Total owned and managed	2,371	-	16	(12)	2,375

The Group owns 5 hostels (2019: 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	
	2020 £ '000	2019 £ '000	2020 £ '000	2019 £ '000
Depreciation of housing properties	5,438	5,254	5,342	5,139
Depreciation of other tangible fixed assets	339	306	333	282
Depreciation written off on replacement of components	91	118	75	118
Operating lease rentals				
- land and buildings	25	25	25	25
- Office equipment	7	6	7	6
Donations	3	22	3	22
Auditors' remuneration (excluding VAT)				
- for audit services	56	56	45	45
- for audit related assurance services	-	-	-	-

Notes to the Financial Statements

6. Surplus on sale of fixed assets – housing properties

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Disposal proceeds	2,116	2,387	2,116	2,387
Carrying value of fixed assets	(1,090)	(702)	(1,090)	(702)
	1,026	1,685	1,026	1,685

7. Interest receivable

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Interest receivable	169	68	364	329

8. Interest payable and financing costs

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Loans and bank overdrafts	11,435	10,767	11,435	10,763
Breakage costs	-	510	-	510
Commitment fee on loans	209	193	209	193
Loan issue costs	157	106	157	106
Unwinding of discount factor on defined benefit pension liability	100	90	100	90
Movement in amortised cost of financial instruments	(526)	(22)	(526)	(22)
Interest payable capitalised on housing properties under construction	(210)	(212)	(199)	(154)
	11,165	11,432	11,176	11,486
Capitalisation rate used to determine the finance costs capitalised during the year	3.6%	2.4%	3.6%	2.4%

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	
	2020	**2019**	**2020**	**2019**
	No.	**No.**	**No.**	**No.**
Administration	23	24	23	24
Development	10	14	10	14
Housing	59	59	59	59
	92	97	92	97

Employee costs:	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Wages and salaries	3,757	4,106	3,757	4,107
Social security costs	377	433	377	433
Other pension costs	219	280	219	280
	4,353	4,819	4,353	4,820

Number of employees (full time equivalents) with remuneration over £60,000	**2020**	**2019**
£60,000 to £69,999	3	4
£70,000 to £79,999	1	6
£80,000 to £89,999	2	-
£90,000 to £99,999	1	-
£100,000 to £109,999	-	1
£110,000 to £119,999	-	-
£120,000 to £129,999	-	1
£130,000 to £139,999	1	-
£140,000 to £149,999	-	2
£150,000 to £159,999	1	-

Notes to the Financial Statements

10. Board members and executive directors

	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2020 Total £ '000	2019 Total £ '000
Executive directors	464	2	37	503	587
Non-executive directors	62	-	-	62	61
	526	2	37	565	648

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

The emoluments receivable by the executive directors are shown below:

	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2020 Total £ '000	2019 Total £ '000
Andrew Potter	157	-	13	170	153
Sue Chalkley	-	-	-	-	27
Don Barclay	-	-	-	-	109
Ulrike Maccariello	92	-	8	100	-
Anne McLoughlin	-	-	-	-	158
Georgina Parkinson	84	1	5	90	-
William Roberts	131	1	11	143	140
	464	2	37	503	587

The aggregate amount payable to executive directors as compensation for loss of office was £nil (2019 £62,000). The executive directors are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme and no enhanced or special terms apply. Hastoe Housing Association Limited does not make any further contribution to an individual pension arrangement for any of the executive directors.

Notes to the Financial Statements

11. Tax on surplus on ordinary activities

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Current tax				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	(163)	-	(159)
Deferred tax				
Origination of timing differences	-	(1)	-	-
Total tax	-	(164)	-	(159)

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Surplus for the year before tax	1,476	2,697	1,735	3,274
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	280	512	330	622
- surplus arising in charitable entities	(283)	-	(330)	-
- fixed asset differences	-	-	-	
- expenses not deductible for tax	-	5,638	-	5,638
- income not taxable for tax purposes	-	(6,148)	-	(6,229)
- chargeable gains & indexation allowance	-	-	-	-
- deferred tax not recognised	5	(3)	-	-
- adjust closing deferred tax to average rate of 19%	(1)	34	-	37
- adjust opening deferred tax to average rate of 19%	(1)	(33)	-	(37)
- Group relief claimed	-	-	-	(31)
- Adjustments in respect of prior years	-	(164)	-	(159)
- Tax credit on gift aid payment	-	-	-	-
Total tax	-	(164)	-	(159)

Factors that may affect future tax charges

The Group has tax losses of £257,000 as at 31 March 2020 (2019: £34,000) all of which may be set against certain profits arising in future accounting periods. The resultant deferred tax asset of £49,000 as at 31 March 2020 (2019: £6,000) has not been recognised due to uncertainties as to the extent and timing of its future recovery.

Notes to the Financial Statements

12. Tangible fixed assets – housing properties

GROUP

	Components	Land and residual building	Social housing properties held for letting *	Social housing properties for letting under construction	Shared ownership properties under construction	Completed shared ownership housing properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	82,168	316,797	398,965	5,672	2,771	49,422	456,830
Additions	-	-	-	3,110	1,516	-	4,626
Works to existing properties	817	-	817	-	-		817
Interest capitalised	-	-	-	132	67	-	199
Schemes completed	1,033	4,392	5,425	(5,425)	(1,782)	1,782	-
Disposals	(440)	(21)	(461)	(30)	-	(584)	(1,075)
At 31 March 2020	83,578	321,168	404,746	3,459	2,572	50,620	461,397
Depreciation and impairment							
At 1 April 2019	27,521	20,061	47,582	-	-	-	47,582
Depreciation charged in year	3,410	2,028	5,438	-	-	-	5,438
Disposals	(318)	(2)	(320)	-	-	-	(320)
At 31 March 2020	30,613	22,087	52,700	-	-	-	52,700
Net book value							
At 31 March 2020	52,965	299,081	352,046	3,459	2,572	50,620	408,697
At 31 March 2019	54,647	296,736	351,383	5,672	2,771	49,422	409,248

* Included within the social housing properties held for letting, 5 hostels valued at £2,285,000 (2019: 5 units at £2,261,000) and 2 rent to home buy properties valued at £226,000 (2019: 2 units at £235,000).

Notes to the Financial Statements

12. Tangible fixed assets – housing properties (continued)

ASSOCIATION

	Components	Land and residual building	Social housing properties held for letting *	Social housing properties for letting under construction	Shared ownership properties under construction	Completed shared ownership housing properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	80,742	318,764	399,506	5,826	2,493	50,110	457,935
Additions	-	-	-	3,130	1,595		4,725
Works to existing properties	816	-	816	-	-		816
Interest capitalised	-	-	-	132	67		199
Schemes completed	1,033	4,649	5,682	(5,682)	(1,840)	1,840	-
Disposals	(440)	(21)	(461)	(30)	-	(584)	(1,075)
At 31 March 2020	82,151	323,392	405,543	3,376	2,315	51,366	462,600
Depreciation and impairment							
At 1 April 2019	27,025	20,061	47,086	-	-	-	47,086
Depreciation charged in year	3,299	2,028	5,327	-	-	-	5,327
Disposals	(318)	(2)	(320)	-	-	-	(320)
At 31 March 2020	30,006	22,087	52,093	-	-	-	52,093
Net book value							
At 31 March 2020	52,145	301,305	353,450	3,376	2,315	51,366	410,507
At 31 March 2019	53,717	298,703	352,420	5,826	2,493	50,110	410,849

* Included within the social housing properties held for letting, 5 hostels with a net book value of £2,285,000 (2019: 5 units at £2,261,000) and 2 rent to home buy properties valued at £226,000 (2019: 2 units at £235,000).

Notes to the Financial Statements

12. Tangible fixed assets – housing properties (continued)

Completed housing properties historical cost, net of depreciation comprises:

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Freehold land and buildings	351,499	352,325	353,612	354,050
Long leasehold land and buildings	51,167	48,480	51,204	48,480
	402,666	400,805	404,816	402,530

Expenditure on works to existing properties	**Group**		**Association**	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Amounts capitalised (components)	817	2,774	817	2,774
Amounts charged to income and expenditure account	6,633	6,076	6,633	6,076
	7,450	8,850	7,450	8,850

Impairment:

The following were considered to be indicators of impairment at 31 March 2020:

1) Uncertainty over the value of a land holding.

Various offers made for the plot of land provided sufficient evidence that the land could realise sales proceeds in excess of its carrying value.

2) The impact of Covid-19 on arrears and voids.

The Group consider individual units to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS102.

The carrying amount of each individual property is calculated as the net book value. The recoverable amount of each property is considered to be its value in use in respect of its service potential. The recoverable amount has been assessed as being in excess of forecast cost.

3) The impact of Covid-19 on the three unsold properties at the year end.

Offers on the properties and a completed sale after the year end provided sufficient evidence that the remaining properties could realise sales proceeds in excess of their carrying value.

The result of the review was that no impairment provision was considered to be required.

Social housing assistance:

Total accumulated social housing grant received or receivable at 31 March:	**Group**		**Association**	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Capital grant	152,448	151,706	152,448	151,706
	152,448	151,706	152,448	151,706

Notes to the Financial Statements

13. Tangible fixed assets – investment properties

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
At 1 April	4,485	4,485	4,485	4,485
Additions	-	-	-	-
Disposals	(232)	-	(232)	-
	4,253	4,485	4,253	4,485

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

There have been no material changes in the rent charged in the year and therefore the fair value of the investment properties at 31 March 2020 has not been revised.

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

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

14. Tangible fixed assets – other

GROUP

	Leasehold Offices	Furniture Fixtures and Fittings	Computers and Office Equipment	PV Panels	Motor Vehicles	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost						
At 1 April 2019	2,631	322	2,835	46	32	5,866
Additions	95	38	366	-	-	499
Disposals	-	(40)	-	-	-	(40)
At 31 March 2020	2,726	320	3,201	46	32	6,325
Depreciation						
At 1 April 2019	239	279	1,381	8	32	1,939
Charged in year	25	13	299	2	-	339
Released on disposal	-	(40)	-		-	(40)
At 31 March 2020	264	252	1,680	10	32	2,238
Net book value						
At 31 March 2020	2,462	68	1,521	36	-	4,087
At 31 March 2019	2,392	43	1,454	38	-	3,927

Notes to the Financial Statements

14. Tangible fixed assets – other (continued)

ASSOCIATION

	Leasehold Offices	Furniture Fixtures and Fittings	Computers and Office Equipment	Motor Vehicles	Total
	£ '000	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Cost					
At 1 April 2019	2,631	322	2,753	32	5,738
Additions	95	38	366	-	499
Disposals	-	(40)	-	-	(40)
At 31 March 2020	2,726	320	3,119	32	6,197
Depreciation					
At 1 April 2019	239	279	1,312	32	1,862
Charged in year	25	13	295	-	333
Released on disposal	-	(40)			(40)
At 31 March 2020	264	252	1,607	32	2,155
Net book value					
At 31 March 2020	2,462	68	1,512	-	4,042
At 31 March 2019	2,392	43	1,441	-	3,876

15. Investment in subsidiaries and associated undertakings

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Investment in Hastoe Capital	-	-	50	50
Investment in Lowen Homes	-	-	500	500
	-	-	550	550

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

Details of the subsidiaries are as follows:

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

Notes to the Financial Statements

16. Stock

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
Completed open market sale properties	258	-	-	-
Completed shared ownership properties	99	141	99	141
Open market sale properties under construction	2,464	3,936	-	-
Shared ownership properties under construction	592	796	592	796
	3,413	4,873	691	937
Capitalised interest included in the above	109	112	17	10

17. Debtors

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
Due within one year				
Rent and service charges receivable	719	825	719	825
Less: Provision for bad and doubtful debts	(325)	(244)	(325)	(244)
	394	581	394	581
Trade debtors	-	44	-	-
Grant receivable	95	520	95	520
Amounts due from leaseholders and freeholders	794	571	794	571
Amounts owed by subsidiary undertaking	-	-	4,437	5,808
Other debtors	368	355	320	295
Prepayments and accrued income	857	943	825	894
	2,508	3,014	6,865	8,669

18. Creditors: amounts falling due within one year

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
Debt and related amounts (note 22)	5,067	5,053	5,067	5,053
Trade creditors	380	267	160	248
Rent and service charges received in advance	3,192	2,890	3,192	2,890
Amounts owed to subsidiary undertakings	-	-	805	1,074
Other creditors	184	131	183	131
Accruals and deferred income	2,619	3,865	1,582	2,495
Deferred capital grant (note 20)	1,732	1,737	1,732	1,737
Grant received in advance	41	41	41	41
Recycled capital grant fund (note 21)	313	225	313	225
	13,528	14,209	13,075	13,894

Notes to the Financial Statements

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

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
Debt and related amounts (note 22)	240,391	246,054	240,391	246,054
Deferred capital grant (note 20)	126,574	127,508	126,574	127,508
Recycled capital grant fund (note 21)	176	281	176	281
	367,141	373,843	367,141	373,843

20. Deferred capital grant

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
At 1 April	129,245	129,636	129,245	129,636
Grant receivable in the year	938	1,528	938	1,528
Grant repaid in the year	(99)	(118)	(99)	(118)
Grant released to income in the year	(1,778)	(1,801)	(1,778)	(1,801)
At 31 March	128,306	129,245	128,306	129,245
Amount to be released within one year	1,732	1,737	1,732	1,737
Amount to be released in more than one year	126,574	127,508	126,574	127,508
	128,306	129,245	128,306	129,245

21. Recycled Capital Grant Fund

	Group 2020 £ '000	Group 2019 £ '000	Association 2020 £ '000	Association 2019 £ '000
Opening balance	506	521	506	521
Grants recycled	104	75	104	75
Drawdown	(87)	(90)	(87)	(90)
Repaid	(34)	-	(34)	-
Closing balance	489	506	489	506
Closing balance consists of:				
Homes & Communities Agency Fund	455	439	455	439
Greater London Authority Fund	34	67	34	67
	489	506	489	506
Amount due for repayment to the Homes & Communities Agency within one year	313	225	313	225

Notes to the Financial Statements

22. Debt and related amounts

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Debt:				
Outstanding principle amount	235,154	239,981	235,154	239,981
Cumulative movement in amortised cost	140	542	140	542
Amortised cost	235,294	240,523	235,294	240,523
Related amounts:				
Premium on bond issue	11,957	12,300	11,957	12,300
Loan arrangement fees	(1,794)	(1,716)	(1,794)	(1,716)
	245,458	251,107	245,458	251,107
Due:				
Within one year	5,067	5,053	5,067	5,053
Between one and two years	5,092	5,074	5,092	5,074
Between two and five years	15,207	15,422	15,207	15,422
After five years	220,092	225,558	220,092	225,558
	240,391	246,054	240,391	246,054
	245,458	251,107	245,458	251,107

The fair value of the Group's long term borrowing is 380m (2019: £315m). Bank loans and bonds are secured by fixed charges on properties. The bond has a gross redemption value of £150m.

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

	Barclays	**HBOS**	**Orchardbrook**	**Bond**
Value (£'000)	40,500	44,100	554	150,000
Interest Rate	2.6% - 5.8%	0.8% - 6.3%	6.10%	5.60%
	Fixed	Fixed & Variable	Fixed	Fixed
Maturity	April 2037	June 2037	Jan 2025	March 2042
Repayment Profile (£'000)				
Within 1 year	2,250	2,450	135	-
1-2 Years	2,250	2,450	143	-
2- 5 Years	6,750	7,350	272	-
After 5 years	29,250	31,850	4	150,000

At 31 March 2020, the Group had undrawn committed loan facilities of £38m (2019: £38m) and cash holdings of £12m (2019: £6m).

22. Debt and related amounts (continued)

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Fixed rate	225,794	236,273	225,794	236,273
Floating rate	9,500	4,250	9,500	4,250
	235,294	240,523	235,294	240,523

Financial risk management

Risk management objectives and policies

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

Counterparty risk

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

Interest rate risk

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

Credit risk

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

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

23. Pension liability

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

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

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

Notes to the Financial Statements

23. Pension liability (continued)

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

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

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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

	31 March 2020	**31 March 2019**
	(£000s)	**(£000s)**
Fair value of plan assets	15,028	14,259
Present value of defined benefit obligation	16,726	18,827
Surplus (deficit) in plan	(1,698)	(4,568)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(1,698)	(4,568)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	18,827
Expenses	14
Interest expense	426
Actuarial losses (gains) due to scheme experience	323
Actuarial losses (gains) due to changes in demographic assumptions	(178)
Actuarial losses (gains) due to changes in financial assumptions	(2,114)
Benefits paid and expenses	(572)
Defined benefit obligation at end of period	**16,726**

Notes to the Financial Statements

23. Pension liability (continued)

	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	14,259
Interest income	326
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	520
Contributions by the employer	495
Benefits paid and expenses	(572)
Fair value of plan assets at end of period	15,028

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

	Period from 31 March 2019 to 31 March 2020 (£000s)
Expenses	14
Net interest expense	100
Defined benefit costs recognised in statement of comprehensive income (SoCI)	114

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	520
Experience gains and losses arising on the plan liabilities - gain (loss)	(323)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	178
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	2,114
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	2,489
Total amount recognised in other comprehensive income - gain (loss)	2,489

Notes to the Financial Statements

23. Pension liability (continued)

ASSETS

	31 March 2020 (£000s)	31 March 2019 (£000s)
Absolute Return	784	1,234
Alternative Risk Premia	1,051	822
Corporate Bond Fund	857	665
Credit Relative Value	412	261
Distressed Opportunities	289	259
Emerging Markets Debt	455	492
Fund of Hedge Funds	9	64
Global Equity	2,198	2,399
Infrastructure	1,118	748
Insurance-Linked Securities	462	409
Liability Driven Investment	4,988	5,215
Liquid Credit	6	
Long Lease Property	260	210
Net Current Assets	64	27
Opportunistic Illiquid Credit	364	
Private Debt	303	191
Property	331	321
Risk Sharing	507	431
Secured Income	570	511
Total assets	15,028	14,259

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

Notes to the Financial Statements

23. Pension liability (continued)

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.39%	2.29%
Inflation (RPI)	2.65%	3.30%
Inflation (CPI)	1.65%	2.30%
Salary Growth	2.65%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

24. Provisions for liabilities and charges

GROUP & ASSOCIATION	Fire Safety Provision £ '000	Total £ '000
At 1 April 2019	-	-
Additions in the year	901	901
At 31 March 2020	901	901

Fire Safety Provision
The fire safety provision reflects the costs that the Group is likely to incur in relation to remedial fire safety works following a type 4 fire safety inspection at one of its properties.

Notes to the Financial Statements

25. Non-equity share capital

	2020 £	2019 £
Shares of £1 each issued and fully paid		
At 1 April	10	11
Shares cancelled during the year	-	(1)
Shares issued during the year	3	-
At 31 March	13	10

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

26. Financial commitments

Capital expenditure commitments were as follows:	**Group**		**Association**	
	2020 £ '000	**2019 £ '000**	**2020 £ '000**	**2019 £ '000**
Capital expenditure				
Expenditure contracted for but not provided in the accounts	13,021	12,373	13,021	12,373
Expenditure authorised by the Board, but not contracted	23,975	14,734	23,975	14,734
	36,996	27,107	36,996	27,107

The above commitments will be funded by cash holdings and borrowings of £24.3m, property sales of £5.6m and social housing grant of £7.1m.

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Association**	
	2020	**2019**	**2020**	**2019**
	£000	**£ '000**	**£000**	**£ '000**
Less than one year	39	38	39	38
Between one and five years	83	113	83	113
Beyond five years	-	-	-	-
	122	151	122	151

27. Contingent liabilities

The Group and Association had no material contingent liabilities at 31 March 2020 (2019: nil).

Notes to the Financial Statements

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

	2020 £ '000	2019 £ '000
Increase/(decrease) in cash	(2,798)	18,063
Cash (inflow)/outflow from decrease in debt and lease finance	4,826	(25,374)
Decrease/(increase) in net debt from cash flows	2,028	(7,311)
Loan issue costs	235	364
Movement in amortised cost of financial instruments	402	17
Amortisation of premium on bond issue	343	223
Amortisation of issue costs	(157)	(106)
Total changes in net debt for the year	2,851	(6,813)
Net debt at 1 April	(227,150)	(220,337)
Net debt at 31 March	(224,299)	(227,150)

29. Analysis of net debt

	1 April 2019 £ '000	Cash Flow £ '000	Non-Cash Movement £ '000	31 March 2020 £ '000
Cash and cash equivalents	4,457	8,002	-	12,459
Short term investments	19,500	(10,800)	-	8,700
Loans	(251,107)	5,061	588	(245,458)
Changes in net debt	(227,150)	2,263	588	(224,299)

30. Related parties

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

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

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

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

At 31 March 2020, Hastoe Housing Association Limited owed Sustainable Homes Limited £3,000 (2019: Sustainable Homes Limited owed Hastoe Housing Association Limited £2,000) relating to working capital balances repayable on demand. During the year, Hastoe Housing Association charged £nil for services provided to Sustainable Homes Limited (2019: £95,000). Sustainable Homes charged Hastoe Housing Association £nil for services provided during the year (2019: £6,000).

Notes to the Financial Statements

30. Related parties (continued)

At 31 March 2020 Hastoe Housing Association Limited owed Hastoe Homes Limited £664,000 (2019: £921,000) relating to development services. During the year Hastoe Housing Association Limited made charges of £709,000 to Hastoe Homes Limited (2019: £961,000). Hastoe Homes Limited made charges of £5,380,000 (2019: £10,110,000) to Hastoe Housing Association Limited.

Hastoe Housing Association Limited has a loan of £4,436,000 to Lowen Homes Limited (2019: £5,806,000). Interest on the loan is charged at a current rate of 4.0% and has a maturity date of July 2022. At 31 March 2020 Lowen Homes Limited owed Hastoe Housing Association Limited £2,000 (2019: £27,000) relating to management services. During the year Hastoe Housing Association Limited made charges of £30,000 to Lowen Homes Limited (2019: £27,000).

At 31 March 2020 Hastoe Housing Association Limited owed £161,995,000 to Hastoe Capital plc (2019: £162,300,000) relating to the on lending of a fixed rate bond repayable in full in March 2042. During the year Hastoe Capital plc charged £8,057,000 for interest on loans (2019: £7,515,000).

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 2020, Hastoe Housing Association owed £1,000 to Gaymer Memorial Cottages (2019: £6,000) relating to working capital balances repayable on demand. Hastoe Housing Association Limited charged £4,000 for services provided to Gaymer Memorial Cottages (2019: £4,000).

Hastoe Housing Association Limited is the corporate trustee of the Bernard Herridge Charity, a registered charity that owns six homes which are managed by Hastoe Housing Association. At 31 March 2020, Bernard Herridge Charity owed Hastoe Housing Association £14,000 (2019: Hastoe Housing Association owed Bernard Herridge Charity £9,000) relating to working capital balances repayable on demand. During the year, Hastoe Housing Association Limited charged £38,000 (2019: £7,000) for services provided to the Bernard Herridge Charity.

The aggregate amount of emoluments paid to key management personnel during the year was £578,000 (2019: £739,000).

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.

31. Financial assets and liabilities

The carrying amounts of financial assets and liabilities include:

	Group		**Association**	
	2020	**2019**	**2020**	**2019**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Financial assets that are debt instruments measured at amortised cost	22,149	25,078	21,979	24,910
Financial liabilities measured at amortised cost	242,778	247,664	242,349	247,423

32. Post Balance Sheet Events

There are no material post balance sheet events