ANNUAL REPORT
and
FINANCIAL STATEMENTS

For the year ended 31 March 2021

North Wales Housing Association Ltd. Cymdeithas Tai Gogledd Cymru Ltd. is a registered society under the Co-operative and Community Benefit Societies Act 2014 Registration Number 18922R

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Board Members, Executive Directors and Professional Advisors

Board of Management

Mrs. C Dixson (Group Chair)
Mr. W Farnell (Group Vice Chair)
Mr. I. Alderson
Mrs. C Downes
Mr D James
Mrs. J Roberts
Ms. S. Williams
Ms S Davies (Appointed 24.09.2020)
Mr D Owen (Appointed 24.09.2020)

Executive Team
Mrs. H. Kirk (Chief Executive)
Mrs. J. Owen (Finance and Resources Director and Company Secretary)
Mr. B Sadler (Operations Director)

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Report of the Board of Management

What a year this has been for our tenants, staff and organisation. I am extremely proud of how everyone has helped and supported each other through this struggle. This teamed with a positive attitude from our amazing staff and a good IT infrastructure has meant that the organisation has responded positively to the crisis with a desire to emerge stronger. Equally we are thankful to our customers for their patience as at times we could only provide limited services.

Our priorities continue to be the safety of our tenants, our staff and financial resilience of the organisation.

North Wales Housing entered the crisis in a healthy financial position from both a liquidity and covenant headroom perspective. This position improved during 2020/21 with increases to the bad debt provision and the creation of a provision to cover the responsive repairs backlog, both challenges a direct impact of the restrictions required to manage the pandemic. Additional resources have been deployed within the rents team to ensure our customers have access to the support they need to help them cope with financial hardship as a result of Covid-19.

Whilst the pandemic has caused delays within the construction sector we were still able to increase the number of our homes by 41 and we continue to work with land owners and developers to deliver our ambitious development programme.

The theme of good financial management continues with almost £600,000 delivered in efficiency savings. The majority of these have been achieved through lower interest costs, procurement and agile working savings. For 2021/22 the planned efficiency savings total £497,200 and whilst it can be evidenced that affordability and efficiencies are satisfactory, tenant satisfaction levels are lower than average. In the coming year we will keep working on the changes suggested by the Tenants and Communities Panel and other residents. These include investing in neighbourhood improvements, energy efficiency to cut household bills and mediation to resolve anti-social behaviour, plus there will be more help for people who need aids or adaptations to live independently. This is in addition to £4.5 million investment in repairs and home improvements which includes painting, installing new heating, bathrooms, kitchens, windows, doors and, increased fire and electrical safety requirements to improve the safety of homes.

The operating surplus for 2020/21 is £5m, an improvement of £63,000. Reserves have increased by £0.66m however this includes an actuarial increase in the pension deficit of £1.8m leaving the business as usual making a positive contribution to reserves of £2.4m.

The pandemic has meant there have been changes to the normal regulatory process. Monthly business continuity returns are made to Welsh Government and the strength of our organisation and response to the pandemic mean that North Wales Housing are graded low risk and as such the annual judgement has been delayed into 2021/22.

The Board of Management (the 'Board') is pleased to present its report and audited financial statements for the year ended 31 March 2021.
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Catherine Dixson
Chair

Strategic Report

The Board presents its strategic report on the affairs of the Group.

Introduction

North Wales Housing Association Limited was founded in 1974 and today is a successful social enterprise providing homes and delivering services to over 2,700 households across North Wales.

We fully understand the value and importance of a good home, and we aim to make a positive contribution to our local communities and continue to be a significant investor in the regional economy.

Strategic Management

Corporate Plan

2020/21 was the final year of the 2018-2021 Corporate Plan. Great progress has been made against the plan with improvements in customer satisfaction levels with our services and value for money. Satisfaction of our staff also improved. During this period we undertook a re-financing exercise to fund our ambitious development programme. We also maintained the highest level of regulatory judgement (Standard) for both Governance and Services and Financial Viability. Our performance against this plan has put us in good stead to build upon our progress and develop a new Corporate Plan (2021 – 2024). This is a three year plan which sets out our intentions to customers, our people, our homes and our finances. The Plan can be found at:
https://www.nwha.org.uk/wp-content/uploads/2021/05/NWH-Corporate-Plan-2021-24-external.pdf

Mission

Transforming lives with great homes, quality services and support

Our Vision is …..

To make a difference to people's lives, by providing homes to be proud of and creating communities in which they can thrive

Values

Our values and standards and aspirations are what make up North Wales Housing. They are what we stand for. All our people work to these values that collectively sum up the character of the organisation. Our values drive our decision making on a daily basis and the way we act will embody our values. Our core values are:

- **Open**…we are transparent in the way we work and make decisions.
- **Trust**…we do what we say we will do. We behave with honesty and integrity.
- **Responsive**… to our customers, staff and partners needs and aspirations.
- **Fairness** …we're open to all, but closed to prejudice. We will actively promote equity and respect diversity.
- **Learning**…we look for better ways in the future. We acknowledge when we make mistakes and learn from them. We look outward to learn from others.

Corporate Objectives

The five core objectives set out in our new corporate plan 2021 to 2024 are to:

1. Provide the services for our customers want, to a standard which increases customer satisfaction, and at a cost which is value for money.
2. A valued and empowered team who put the customer at the heart of everything we do.
3. Provide safe, energy efficient homes that support independent living.
4. Maintain financial strength and resilience through sound financial management and investment decisions
5. Deliver new homes to meet housing need, grow our capacity and contribute to the North Wales economy.

Performance against this plan is reviewed on a regular basis, and the plan is periodically updated to reflect the changing needs of our customers, the changing business environment in which we work, and the changing external influences under which we operate.

Legal Status

North Wales Housing Association Limited (NWH or the 'Association') is a registered society under the Co-operative and Community Benefit Societies Act 2014, and is a not-for-profit organisation, which is exempt from registration with the Charity Commission.

Principal Activities

The Association and its wholly owned subsidiary company Domus Cambria Limited (the 'Group') operate in North Wales. Their principal activities are the provision of rented accommodation for people in housing need, and the commercial development of residential properties for sale.

Board Members

The Board members are set out on page 1 of the Annual Report and Financial Statements and, unless otherwise stated, served throughout the period from 1 April 2020 to the date of this report. From 1 April 2020 Board members receive remuneration for their time, experience and knowledge.

Corporate Governance

The Association is governed by our Board and complies with the CHC Code of Governance. The Board meets on a bi-monthly basis to set the strategic direction for the Group, review performance against set objectives in the corporate plan, agree operating policies and strategies, consider ongoing business, and examine financial and operating performance.

The Board periodically reviews its own performance in order to identify where additional experience may be needed. All Board members sign a service agreement to signify acceptance of their responsibilities. The Board is supported by an Audit and Risk Committee, Remuneration Committee and a Tenants and Communities Panel.

The Board is ultimately responsible for the strategy and control of the Association. The Audit and Risk Committee has responsibilities for both internal and external audit and internal control. Day to day operational control of the Association is delegated to the Chief Executive and other members of the Executive Team, who are appointed on standard contracts of employment.

Our Governance meetings have continued through the Covid-19 lockdown period with the Board, Audit and Risk Committee and the Tenants and Communities Panel all met virtually.

Executive Team

The members of the Executive Team are set out on page 1. The members of the Executive Team hold no interest in the Association's or subsidiary company's share capital and, although they do not have the legal status of Directors, they act as Executives within the authority delegated by the Board.

Employees

The Association recognises that to achieve our Corporate Plan objectives it needs skilled, enthusiastic and committed staff.

We are proud to be recognised as **'One to Watch' in the Best Companies**. Engagement is key to our success and we are pleased to share that improvement in communication has improved during the pandemic and we are building on this success. We provide twice weekly briefings from our Senior Leadership Team and hold regular staff listening sessions.

During the year we have continued to invest in our Leaders, who, this year completed a bespoke Leadership Development Programme.

Mental Health & Wellbeing in more important than ever at the moment. We have launched Calon, our dedicated workplace page where tips and advice are shared.

We also sent a Valentine's card to each one of our staff, and everyone receives cake and a card on their birthday.

An Around the World in 80 Days challenge also kept the team connected. Staff, friends and family walked, ran and cycled – not only making it back to base in Llandudno Junction with three days to spare but travelling a further 2,150 miles. Other events included a February French Challenge and a March Welsh Challenge.

In all areas of its work, the Association is committed to fair treatment regardless of race, colour, ethnic or national origin, disability, religion, age, gender, health, marital status or sexual orientation and endeavours to ensure that there are no obstacles to equality of opportunity.

Statement of the Board's Responsibilities

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

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business

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

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

Disclosure of Information to Auditors

Each of the Board members at the date of approval of this report has confirmed that:

- as far as the Board members are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Board Statement on Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information within the Group or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal control. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process to identify, evaluate and manage significant risks and this system has been in place throughout the year and up to the date of signing the financial statements. Key elements include ensuring that:

- formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- there is a regular, timely, accurate and comprehensive system of financial reporting, budgeting and planning against which performance and the key business risks and objectives are monitored;
- the Board has a strategy and policy on fraud, covering prevention, detection and reporting of fraud and the recovery of assets;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- there is regular review of the organisational structure and establishment with clearly defined levels of authority and division of responsibilities; and
- the Audit and Risk Committee reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

In line with the guidance on reporting on internal controls produced by the Welsh Government in circular 02/10, the Board has reviewed the effectiveness of the systems of internal control in the year

ended 31 March 2020 and found no weaknesses that would result in material losses, contingencies or uncertainties.

Events after the Year-End

There are no events after the Year-End to report.

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report. However, given the ongoing impact of Covid-19 specific mention is required in this section.

North Wales Housing entered the Covid-19 crisis in good financial health and this position has been maintained. Liquidity is good with access to £15m in the form of a revolving credit facility. Interest cover headroom for 2021/22 is £945,000.

We continue to demonstrate a healthy financial position from both a liquidity and covenant headroom perspective. As the impact of the pandemic became clearer we undertook a number of prudent measures to safe guard our financial position. The first being the increase in the bad debt provision, the second a creation of a repairs provision linked to the backlog of reactive repairs.

The Senior Leadership team, very early on in the crisis modelled a number of scenarios for rent arrears, bad debt and void levels. As more data became available the modelling was refined. The most recent business plan shows a healthy and improving position.

Major repairs are a key element of our tightest covenant calculation, with lockdown measured resulting in a delay in the planned programme. Initial concerns that the catch up programme, when coupled with rent arrears and bad debts could result in a covenant breach are unfounded.

The development programme is in its infancy and the reliance on rental income from new units is not significant. Whilst the development programme stalled as a result of Coivd-19, there were 47 handovers, 6 more than the target.

This teamed with a positive attitude from our amazing staff and a good IT infrastructure has meant that the organisation has responded positively to the crisis with a desire to emerge stronger. Our priorities continue to be the safety of our tenants, our staff and financial resilience of the organisation.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully, despite Covid-19.

After making enquiries, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

This was the first year of a new external audit contract with Beever Struthers.

Key Policies and Strategies

The Group has a wide range of policies and strategies that govern how we work and how we deliver our objectives. These include terms of reference for our boards and committees, corporate and business plans, standing orders and financial regulations, and policies and strategies for covering disciplines such as treasury management, housing and tenancy management, maintenance and repairs and personnel.

Business Environment

The Group and the Board are fully cognisant of the business environment in which we work, in particular, the regulatory environment, the effects of external influences on our operations, and the risks we face as a business.

Regulatory Environment

The Association is regulated by the Welsh Ministers under Part 1 of the Housing Act (1996). This is done through the Welsh Government's Housing Regulation Team. From 1 June 2017, the Association has been regulated against the new Regulatory Framework (2017). This framework is based on co-regulation, which is a relationship where both parties work on the basis of no surprises, and firmly places tenants are at the heart of regulation. The Welsh Ministers are committed to proportionality, transparency and openness, consistency, and promoting continuous improvement.

The Association has to comply with 10 performance standards that form part of an Annual Statement of Compliance that is signed off by the Board. The Association receives an annual regulatory judgement based on Governance, Service Delivery and Financial Viability, and capacity to improve. In response to the judgement a Regulatory Engagement Plan is developed and reported quarterly to the Group Board and the Welsh Government.

Due to the pandemic the Regulator has been issuing interim judgements. Based on a risk assessment, North Wales Housing are yet to undergo an interim assessment, this is expected to be in quarter 2 of 2021/22. As such for position for 2019/20 still stands, which is the Association has maintained the highest level of regulatory judgement (Standard) for both Governance and Services and Financial Viability.

External Influences

On 18th December 2019 the Welsh Government released a five year rent determination of CPI + 1%. The determination recognised the recommendations of the Independent Affordable Housing Supply Review and the need to balance the needs of landlords and the interests of tenants.

In recognition of the stability which a five year rent settlement provides to the sector, the Welsh Government set out a series of requirements which all social landlords will deliver:

- Strengthen your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness;

- Undertake a standardised tenant satisfaction survey and provide the data for publication on a central website to assist tenants in scrutinising and comparing landlord performance. First survey results to be available for publication by April 2021 and surveys to be carried out at least bi-annually thereafter;

- Build on your existing commitment to delivering high quality homes, with an aspiration that DQR 2020 **space** standards will apply across tenure[1] on sites which attract Welsh Government funding, on a phased basis from 2021; and

- Work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites which attract any Welsh Government funding from April 2021.

- All social landlords will be required to prepare an annual assessment of affordability, cost efficiencies and demonstrate their homes and service represent value for money as part

[1] *Please note that the full DQR 2020 standard includes other requirements in addition to space standards and these will need to be met in full for homes financed by schemes such as Social Housing Grant*.

of their decision on the rent uplift to be applied each year. All social landlords should justify their rent increases via robust annual assessments on cost efficiencies.

The Affordable Housing Supply Review also made a number of recommendations regarding the capital housing grants. A Standard Visibility Model has been developed and during 2021/22 will be adopted for Local Authorities. For RSLs 2021/22 is a test year where assumptions are being refined. The new Standard Viability Model will come into effect, for RSLs, in April 2022. It is anticipated that the new grant will be an average of 50% development costs as opposed to the current 58%. Regional zoning has also been adopted.

The roll out of Welfare Reform in North Wales was completed in all counties by December 2018, with the migration of tenants not on Universal Credit expected to take a number years. We have a team of financial inclusion advisors who work with our tenants to reduce the impact of Welfare Reform

COVID-19

The impact of Covid-19 has been mentioned throughout this narrative. The priorities have always been the safety of our tenants and staff, compliance and financial resilience.

To date North Wales Housing has managed the impact of the crisis well and continues to follow Government guidance and legislation.

The rise of tenants experiencing financial hardship as a result of Covid-19 has been met with additional resources being transferred to the rents team to ensure every tenant receives the support and advice they need. North Wales Housing have signed up to the Community Housing Cymru #WithYou campaign and Financial Assistance Protocol which means

- Housing associations will keep tenants safe and secure in their home
- Housing associations will help tenants get the financial support they need
- Housing associations will support tenants and find solutions if they have difficulty paying rent
- Housing associations will do everything they can to support tenants' wellbeing

There are some positives, particularly the pace at which employees were able to move to home working. The benefits of agile working in terms of the environment, flexibility for tenants and staff and financial efficiencies mean that North Wales Housing will adopt agile working as a new working practice.

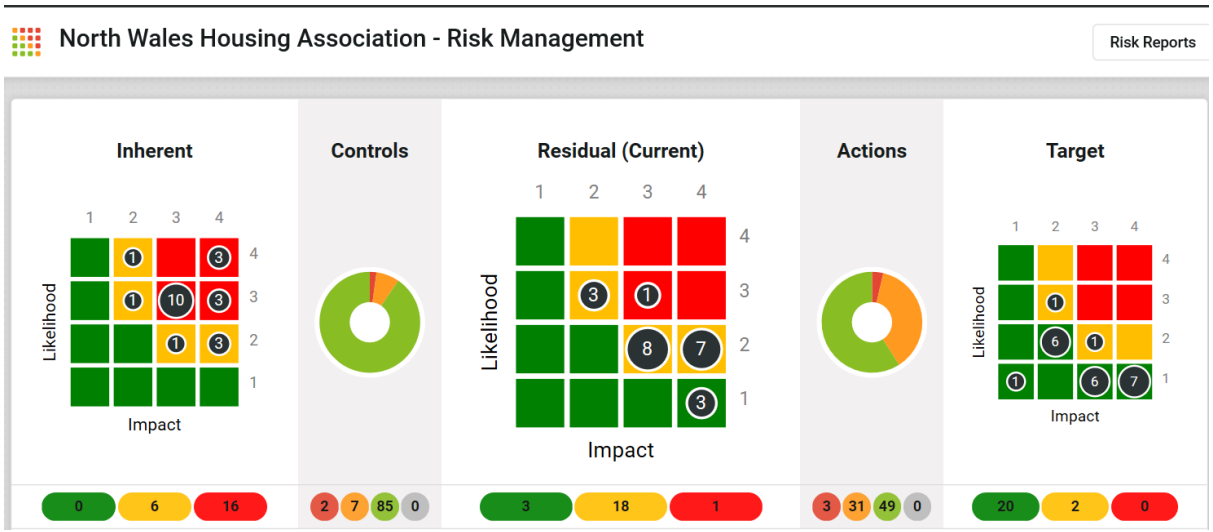
Risk Management

The Group has a comprehensive risk management strategy in place to identify and monitor risks in relation to the delivery of its business objectives. Risks are assessed on both likelihood and impact using a 4 x 4 scale (giving total risk scores in the range of 1 to 16).

Risk have an inherent score, residual (current) score and target score. The strength of internal controls and the number of actions required to improve controls impact on the residual score. Scores are also re-visited following any independent review e.g. internal audit, inspections

Risks are recorded and managed through Decision Time, a software product which brings together risk management, KPIs, delivery plans and governance meetings. The risk scores are regularly reviewed and are removed from the strategic risk report at the point where the activity has ceased, or the degree of mitigation reduces the risk score to a minimal level. Equally where an operational risk reaches red status this is added to the Strategic Risk Register

At the time of drafting this statement there was only 1 red risk identified. Of the 22 Strategic Risks, 18 are scored as amber and 3 green. The dashboard below is a screenshot of the latest position.



The sole red rated risk relates to competition for land and government housing grant.

The risk register is real time and regularly reviewed by the Senior Leadership Team Board. In addition to scrutiny by the Board, the Audit and Risk Committee oversees the risk management cycle. The Finance & Resources Director is responsible for monitoring and reporting significant changes in the key risks faced by the organisation.

Financial Risk Management

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the Board, which currently does not allow the use of any stand-alone derivatives. The Group does not use derivative financial instruments for speculative purposes.

Credit Risks
The Group's principal financial assets are bank balances and cash, rent arrears, income due from the Welsh Government, and other receivables and investments. The Group's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad and doubtful debts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

Liquidity Risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. In September 2019 the Board approved re-financing of the loan portfolio and business plan ambitions. This included an £18m Revolving Credit Facility (RCF) to improve liquidity of the organisation. To date £15m of the facility is undrawn, to put in to context that represents almost 12 months annual turnover.

Cash Flow Risk
The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses fixed rate loans to hedge these exposures.

Key Partnerships and Relationships

The Association works in partnership with a number of organisations. Key partners include the five Local Authorities in which we have housing stock, other Housing Associations, North Wales Police, Betsi Cadwaladr University Health Board and the Outdoor Partnership.

Our work with Local authorities includes developing new homes, providing support for people who need it, for example, older persons and homeless people, and participating in Common Housing Registers, in order to reduce the duplication for customers when applying for a home.

The Association works closely with other Housing Associations across North Wales. We also contribute to a wide range of forums and partnerships including; North Wales Financial Inclusion Partnership, North Wales Regional Collaborative Committee (Supported Housing), Homelessness, ASB Tasking Meetings, Training Consortium, Young Housing Network and North Wales RSL Equality Partnership.

Environmental Matters

The Group is committed North Wales Housing is committed to lessen any adverse environmental impact of its day-to-day operations and property development programme and reduce its 'carbon footprint'. A Sustainability Strategy has been developed which details how we intend to improve the way we manage our approach to sustainability and ensure we are developing our business in a sustainable way.

Social and Community Issues

North Wales Housing has a Tenant Participation Strategy that aims to improve our services by fully involving tenants in developing and influencing how these services are provided.

We organise events and activities to engage with our tenants; we support tenant members to sit on our Tenants and Communities Panel and a Tenants Forum, which allows tenants to challenge and provide input, to enable the voices and concerns of tenants to be heard. We also have a Sounding Board, a database of tenants, who provide feedback and input on various issues of interest to them.

The pandemic has impacted in our ability to provide activities such as indoor climbing, hill walking, kayaking, and biking, to our tenants. These opportunities will be re-instated as soon as Government guidance allows.

We have a Community Fund that provides funding to assist voluntary, community, and resident groups that want to develop a project or initiative that benefits the community. The Personal Development Grants we offer reduce the financial barriers that may exist in preventing our tenants from accessing education, training or employment.

We have a charity panel run by members of staff of the association who raise money for our nominated, independent charities. During 2020/21, a total of £3,010 was raised for Awyr Las.

Business Performance

We remain business focussed and our results for the year are encouraging. We fully subscribe to the value for money agenda, and the principle of doing more with the same or less. We will continue to balance our financial requirements with our social responsibilities, and wherever possible continue to work with a business head and a social heart.

Value for Money

A key requirement of the 5 year rent policy is an annual assessment of affordability, cost efficiencies and value for money as part of their decision on the rent uplift.

- In 2020/21 £580,000 of efficiencies were delivered
- The 2021/22 budget includes £497,200 of efficiencies.
- Average rents sit below the mid-range of the rent bandings.

The Value for Money Framework was approved by the Board on 28th November 2019.

Whilst it can be evidenced that affordability and efficiencies are satisfactory, tenant satisfaction levels are lower than average. The improvement of satisfaction levels has been a key driver in the identification of areas where increased investment will result in improved satisfaction levels.

- Listening to views and acting upon them
- Repairs and maintenance overall
- Neighbourhood as a place to live
- Rent value for money
- Quality of home

The Board agreed to re-invest the efficiencies in areas which we believe will result in improved satisfaction levels. Mainly in repairs and major repairs to improve stock conditions for our current and future tenants and investment in our neighbourhoods.

Results for the Year

The Group's turnover is £17.446m (2020: £17.119m). This represents an increase of 1.9% on our core activities mainly due to a rental income increase of 2.7% and rental income from new homes.

Operating costs are £12.424m (2020: £12.208m). This represents an increase of 1.77% due to an increase in maintenance costs that appear in the SOCI due to a significant reduction in the planned works carried out as a result of the pandemic – the fixed costs of the planned labour team spent on non-capital jobs. However, this increase was offset by savings made on staff vacancies, amount claimed through the furlough scheme, lower depreciation charged – again due to the fall in component replacement (capital jobs), a lower amount of bad debts written off as a result of the provision created in the previous financial year and savings in various overhead categories.

The operating surplus for the year is £4.999m (2020:£4.936m) which is similar to the previous year. However, the surplus for the year of £2.442m is much higher than the £3.686m loss in the previous year due to exceptional breakage costs of £5.765m recognised as a result of the refinancing work that was completed last year. Other comprehensive income of £658,000 is reported for the year following a £1.784m charge for the actuarial loss of the pension scheme compared with a £2.796m actuarial gain in the pension scheme in the previous year.

Financial highlights covering the last five years are set out in the following table:

For the Year Ended 31 March	2021	2020	2019	2018	2017
Financial Performance	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	17,446	17,119	16,418	15,849	15,882
Operating Surplus	4,999	4,936	4,703	4,093	4,296
Net Operating Income (Operating surplus adding back net housing property depreciation)	6,679	6,653	6,544	5,928	5,898
Net Interest Payable (Including financing costs)	2,557	8,622	2,872	2,698	2,742
(Deficit)/Surplus for the Year	2,442	(3,686)	1,831	1,386	1,442
Intangible and Tangible Fixed Assets	169,310	166,030	164,621	163,321	163,701
Social Housing and Other Grants	88,295	88,974	89,334	88,418	89,139
Long and Short-Term Loans	57,845	57,386	57,231	58,520	59,630
Revenue Reserves	18,024	17,366	18,256	18,930	17,544
Statistics					
Operating Margin	28.7%	28.8%	28.4%	25.8%	27.0%
Operating Surplus per Property Owned	£1,834	£1,842	£1,744	£1,533	£1,608
Interest Cover (Net operating income divided by net interest payable)	2.61	0.77	2.28	2.20	2.15
EBITDA/MRI (with Break costs)	2.10	0.6	1.67	1.47	1.65
EBITDA/MRI (excluding Break costs)	2.10	1.80	1.67	1.47	1.65
Average Interest Rate (Net interest payable divided by average loans)	4.42%	15.02%	5.02%	4.61%	4.67%
Gearing Ratio (Long and short-term loans divided by social housing and other grants and revenue reserves)	54.40%	53.96%	53.2%	55.3%	55.9%
Accommodation Figures		As restated			
General Needs Properties (including shared equity)	2,229	2,188	1,947	1,948	1,949
Extra Care and Older Persons schemes	195	195	424	425	425
Supported Housing Units	302	297	299	297	297
Total Stock	**2,726**	**2,680**	**2,670**	**2,670**	**2,671**

New Homes Construction and Development

We continue to have an active development programme and pipeline. During 2020/21 41 homes were handed over. The Business Plan includes the building of over 600 units over the next 5 years.

Capital Structure and Treasury Policy

The Treasury Strategy, Policy and Practices aims to ensure that the organisation can fund its development programme, has sufficient liquidity, has a balanced loan portfolio in terms of the ratio between fixed and variable rate loans and refinancing risk and covenants which support future growth

of the organisation. These documents are refreshed annually and monitored through the year by the Audit and Risk Committee.

Cash Flow

The Group's cash inflows come from three main sources, rental income and service charges income on housing properties and supporting people grants. The rental income is evenly split between housing benefit and direct payments. Universal Credit direct payments are currently 7.7% of total rental income compared with less than 0.5% last year. This will increase again once migration onto Universal Credit commences and as people find themselves needing the safety net as a result of the financial consequences of the pandemic.

The Group's principal outflows are operating expenditure for managing and maintaining the housing properties, interest payable and the costs associated with the development of new properties. Financing for the latter activity includes capital grants and funds from the Group's loan facilities.

Cash flow forecasts are prepared on a regular basis, and include monthly and annual forecasts, with appropriate cash flow information included in the monthly management accounts.

Accounting Policies

The principal accounting policies of the Group are set out on pages 25 to 32 of the financial statements. The policies that are most critical to the financial results relate to the accounting for housing properties and include the capitalisation of costs, depreciation, the treatment of shared ownership properties and the treatment of capital grants.

Approved by the Board and signed on its behalf by:

Catherine Dixson
Chair

Independent Auditor's Report to North Wales Housing

Opinion
We have audited the financial statements of North Wales Housing (the Association) and its subsidiary ('the Group') for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Reserves, Association Statement of Changes in Equity, Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information
The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Opinion on other matters prescribed by the housing association circular RSL 02/10: Internal Controls and Reporting

With respect to the Board's statement on internal financial controls on page 6, in our opinion:
- The Board have provided the disclosures required by the housing association circular RSL 02/10: Internal Controls and Reporting; and
- The Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board
As explained more fully in the Statement of Board's Responsibilities set out on page 6, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's 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 intends to liquidate the Group or the Association or to cease operations, or has 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 web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report
This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers
Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 27 September 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	**17,446**	**17,119**
Operating costs	3	**(12,424)**	**(12,208)**
Pension valuation adjustment	3	**-**	**-**
(Deficit) / Surplus on sale of housing properties	5	**(23)**	**35**
Deficit on revaluation of investment properties		**-**	**(10)**
OPERATING SURPLUS		**4,999**	**4,936**
Interest receivable and other income	6	**-**	**17**
Interest payable and financing costs	7	**(2,557)**	**(2,874)**
Breakage Costs due to refinancing	7	**-**	**(5,765)**
SURPLUS / (DEFICIT) BEFORE TAX		**2,442**	**(3,686)**
Taxation	8	**-**	**-**
SURPLUS / (DEFICIT) SURPLUS FOR THE YEAR		**2,442**	**(3,686)**
Other comprehensive income:			
Actuarial (loss) / gain in respect of pension scheme		**(1,784)**	**2,796**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**658**	**(890)**

These financial statements including the accounting policies and notes were approved by the Board of Management on 29th July 2021.

C Dixson	**W Farnell**	**J Owen**
Chair	Vice-Chair	Secretary

The results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 25 to 65 form part of these financial statements.

Association Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	**17,403**	**17,076**
Operating costs	3	**(12,379)**	**(12,162)**
Pension valuation adjustment	3	**-**	**-**
(Deficit)/Surplus on sale of housing properties	5	**(23)**	**35**
Deficit on revaluation of investment properties		**-**	**(10)**
OPERATING SURPLUS		**5,001**	**4,939**
Interest receivable and other income	6	**-**	**17**
Interest payable and financing costs	7	**(2,557)**	**(2,874)**
Breakage Costs due to refinancing	7	**-**	**(5,765)**
SURPLUS / (DEFICIT) BEFORE TAX		**2,444**	**(3,683)**
Taxation	8	**-**	**-**
SURPLUS / (DEFICIT) FOR THE YEAR		**2,444**	**(3,683)**
Other comprehensive income:			
Actuarial (loss) / gain in respect of pension scheme		**(1,784)**	**2,796**
Initial recognition of multi-employer defined benefit scheme (SHPS)		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**660**	**(887)**

These financial statements including the accounting policies and notes were approved by the Board of Management on 29th July 2021.

C Dixson	**W Farnell**	**J Owen**
Chair	Vice-Chair	Secretary

The results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 25 to 65 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2021

	Notes	2021 £'000	2020 £'000
TANGIBLE FIXED ASSETS			
Intangible assets	11	**17**	**44**
Housing properties	12	**167,710**	**164,262**
Other property, plant and equipment	13	**814**	**955**
Investments	14	**769**	**769**
		169,310	**166,030**
CURRENT ASSETS			
Stock	15	**152**	**36**
Debtors	16	**2,286**	**1,990**
Cash at bank and on deposit	23	**1,487**	**1,600**
		3,925	**3,626**
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	17	**(12,031)**	**(5,347)**
NET CURRENT LIABILITIES		**(8,106)**	**(1,721)**
TOTAL ASSETS LESS NET CURRENT LIABILITIES		**161,204**	**164,309**
Creditors: Amounts falling due after more than one year	18	**(140,315)**	**(145,492)**
Defined benefit pension liability	27	**(2,865)**	**(1,451)**
TOTAL NET ASSETS		**18,024**	**17,366**
CAPITAL AND RESERVES			
Called-up share capital	21	**-**	**-**
Revenue reserve		**18,024**	**17,366**
TOTAL RESERVES		**18,024**	**17,366**

The financial statements including the accounting policies and notes on pages 25 to 65 were approved by the Board of Management and authorised for issue on 29th July 2021 and are signed on its behalf by:

C Dixson	**W Farnell**	**J Owen**
Chair	Vice-Chair	Secretary

Association Statement of Financial Position

At 31 March 2021

	Notes	2021 £'000	2020 £'000
TANGIBLE FIXED ASSETS			
Intangible assets	11	**17**	**44**
Housing properties	12	**167,710**	**164,262**
Other property, plant and equipment	13	**814**	**955**
Investments	14	**769**	**769**
		169,310	**166,030**
CURRENT ASSETS			
Stock	15	**152**	**36**
Debtors	16	**2,360**	**2,039**
Cash at bank and on deposit	23	**1,424**	**1,560**
		3,936	**3,635**
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	17	**(12,030)**	**(5,346)**
NET CURRENT LIABILITIES		**(8,094)**	**(1,711)**
TOTAL ASSETS LESS NET CURRENT LIABILITIES		**161,216**	**164,319**
Creditors: Amounts falling due after more than one year	18	**(140,315)**	**(145,492)**
Defined benefit pension liability	27	**(2,865)**	**(1,451)**
TOTAL NET ASSETS		**18,036**	**17,376**
CAPITAL AND RESERVES			
Called-up share capital	21	**-**	**-**
Revenue reserve		**18,036**	**17,376**
TOTAL RESERVES		**18,036**	**17,376**

The financial statements including the accounting policies and notes on pages 25 to 65 were approved by the Board of Management and authorised for issue on 29th July 2021 and are signed on its behalf by:

C Dixson	**W Farnell**	**J Owen**
Chair	Vice-Chair	Secretary

Statement of Changes in Reserves

For the year ended 31 March 2021

	Group 2021	Group 2021	**Association 2020**	Association 2020 £'000
REVENUE RESERVE	**£'000**	£'000	**£'000**	
At 1 April	**17,366**	18,256	**17,376**	18,263
Total comprehensive income for the year	**658**	(890)	**660**	(887)
At 31 March	**18,024**	17,366	**18,036**	17,376

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	23	**7,597**	5,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(5)**	(40)
Purchase of property, plant and equipment		**(6,648)**	(4,552)
Proceeds from sale of property, plant and equipment		**370**	229
Proceeds from sale of fixed asset investments		**-**	-
Grants received		**562**	742
Interest received and other income		**-**	17
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(5,721)**	(3,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid and financing costs		**(2,457)**	(2,774)
New loans		**500**	36,000
Repayments of borrowings		**(32)**	(35,597)
Break Costs		**-**	(5,765)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(1,989)**	(8,136)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(113)**	(6,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,600**	7,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**1,487**	1,600

Free Cash Flow

For the year ended 31 March 2021

	2021 £'000	2020 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**7,597**	5,397
Interest received and other income	**-**	17
Interest paid and financing costs	**(2,527)**	(2,674)
ADJUSTMENTS FOR REINVESTMENT IN EXISTING PROPERTIES		
Component replacements	**(1,308)**	(1,512)
Free cash generated before loan repayments	**3,762**	1,228
Loans repaid (excluding revolving credit and overdrafts)	**(32)**	(90)
Free cash generated after loan repayments	**3,730**	1,138

Association Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	23	**7,574**	5,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(5)**	(40)
Purchase of property, plant and equipment		**(6,648)**	(4,552)
Proceeds from sale of property, plant and equipment		**370**	229
Proceeds from sale of fixed asset investments		**-**	-
Grants received		**562**	742
Interest received and other income		**-**	17
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(5,721)**	(3,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid and financing costs		**(2,457)**	(2,774)
New loans		**500**	36,000
Repayments of borrowings		**(32)**	(35,597)
Break costs		**-**	(5,765)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(1,989)**	(8,136)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(136)**	(6,362)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,560**	7,922
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**1,424**	1,560

Free Cash Flow

For the year ended 31 March 2021

	2021 £'000	2020 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**7,574**	5,378
Interest received and other income	**-**	17
Interest paid and financing costs	**(2,527)**	(2,674)
ADJUSTMENTS FOR REINVESTMENT IN EXISTING PROPERTIES		
Component replacements	**(1,308)**	(1,512)
Free cash generated before loan repayments	**3,739**	1,209
Loans repaid (excluding revolving credit and overdrafts)	**(32)**	(90)
Free cash generated after loan repayments	**3,707**	1,119

Notes to the Financial Statements

For the year ended 31 March 2021

1. ACCOUNTING POLICIES

Principal Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) (March 2018) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 update (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. There is no material effect on the amounts recognised in these financial statements as a result of adopting these amendments.

Going Concern

North Wales Housing entered the Covid-19 crisis in good financial health. Liquidity is good with access to £15.5m in the form of a revolving credit facility. Interest cover headroom for 2020/21 is £2.6m. Rent arrears, void levels, major repairs and the development programme have all been affected by Covid-19, but not to such an extent as to cause a covenant breach.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully despite Covid-19.

After making enquiries, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of Consolidation

The Group financial statements consolidate the results of North Wales Housing Association Limited and its subsidiary, Domus Cambria Limited.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charges losses from voids) and fees and grants from Local Authorities and the Welsh Government.

Supporting People

The income received for Supporting People is matched in the Statement of Comprehensive Income with the expenditure incurred. Supporting People income and expenditure is treated in the accounts in the same way as the remainder of the Group's income and expenditure.

Housing Properties and Capitalisation

Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation. The cost of properties is their purchase price together with incidental cost of acquisition, administration costs and interest payable up to date of practical completion. Properties not available for sale on shared ownership leases are stated at cost.

Units which were purchased or constructed with the original intention of resale, which remain unsold and at present are being let are included within housing property assets.

Works which enhance the property's value through increasing rent levels or reducing running costs or increasing the life of the property, are capitalised.

Development administration costs, which can be shown to be directly attributable to the development activity, are added to the cost of fixed assets in the Statement of Financial Position. Where development and administration costs are incurred internally or in providing services to other organisations which cannot be recovered they are taken to the Statement of Comprehensive Income.

It is the Group's policy to maintain properties in a continual state of sound repair. Any permanent diminution in value of such properties is charged to the Statement of Comprehensive Income. The Board has conducted an impairment review and is satisfied that there are no significant impairment issues and that no property is included within the financial statements at an amount greater than its recoverable amount.

Depreciation of Housing Properties

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on an annuity basis, over their useful economic lives. The annuity method of depreciation is used as this is considered to give the fairest view and takes account of the matching principles of accounting. The depreciation charged matches the increased benefits which accrue over time from the rental stream arising from continued letting over the life of the property. The time value of money is taken into account by uplifting the depreciation charge by 2.5% per annum. Land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their useful economic lives at the following annual rates:

Component	*Assumed Useful Economic Life*
Structure	See below
Roofs	75 years
Heating Systems	30 years
Boilers	15 years
Windows and Doors	28 years
Kitchen	15 years
Bathrooms	25 years
Lifts	25 years
Lease Extensions	Over the remaining life of the lease

The assumed and remaining useful economic lives of the structure element of each property have been determined by independent valuers. The assumed useful economic lives have been calculated by them as being:

Category		*Assumed Useful Economic Life*
1	Pre 1920 Rehab properties – Flats and Houses	75 years from last major rehab
2a	1920 –1950s Flats & Houses of construction	120 years from date of traditional construction
2b	1920s–1950s Flats & Houses of traditional construction	85 years from last major rehab
3a	1960s – 1970s Houses of traditional construction	90 years from date of construction
3b	1960s–1970s Houses of traditional construction	70 years from last major rehab

4	1980s–present Houses of traditional construction	125 years from date of construction
5	1960s–1975 Blocks of Flats	65 years from last major rehab
6	1975–present Blocks of Flats	120 years from date of construction
7	Extra Care Schemes	125 years from date of construction

Capitalisation of Interest

Interest payable is capitalised during the construction of a property up to the date of practical completion. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Social Housing Grant received in advance) or on net borrowing to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was required.

Other Property, Plant and Equipment

Other property, plant and equipment, except for investment properties, are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets as follows:

Category	*Assumed Useful Economic Life*
Freehold office	over 50 years
Leasehold office property	over 5 years or life of lease if shorter
Office equipment and fittings	over 10 years
Telephone system	over 5 years
Computer equipment	over 3 years
Assets acquired under finance lease	over term of lease
Scheme assets	over 5 years

Investment Properties

The classification of a property as an investment property is based on the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both that do not directly form part of a social housing scheme and have not been grant funded are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as other property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in the Statement of Comprehensive Income. If investment properties are transferred to other property, they are transferred at the fair value recognised at the transfer date.

Intangible Assets

Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer licenses	over 3 years

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential,

value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in the Statement of Comprehensive Income.

Social Housing Grant and Other Government Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Welsh Government Housing Finance Grants

The Welsh Government Housing Finance Grants (HFG) provides annual housing grant payments in equal instalments over a period of up to 30 years to fund loan principal and interest costs of constructing affordable housing. The net present value of future grant receipts is recognised as a capital grant with an equal amount recognised as a deferred income debtor. The debtor is credited upon receipt of each grant payment and the difference between grant payments and the discounted value of the relevant portion of the debtor released to the Statement of Comprehensive Income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

The capital grant element of HFG previously received is deemed to be repayable upon disposal of a relating housing asset. This is treated as recycled capital grant in the Recycled Capital Grant Fund and included in the Statement of Financial Position as a creditor.

Recycling of Grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent stair-casing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial

Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Leased Assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance Leased Assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases and are capitalised at commencement of the lease as assets at their fair value, or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement.

Operating Leased Assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income over the period of the lease.

Stock

Stocks comprising properties being constructed under the Home Buy Option scheme are stated at the lower of cost and net realisable value. Costs include all direct costs incurred in bringing these properties to their present state of completion. Material costs are stated at cost.

Debtors

Provision is made against all former tenants' arrears and current tenants' arrears where the balance has been outstanding for 13 weeks or more. All other debtors are reconciled on a monthly basis and any overdue amounts chased as soon as they are recognised. Provision is made for any balance that is deemed to be doubtful to recover. Grant income is accrued once it is certain that it is receivable. Any debtors recoverable in more than one year are separately disclosed in the financial statements.

Discounted Bonds

Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on issue of the discounted bonds and is written off through the Statement of Comprehensive Income on an actuarial basis over the life of the bonds following the utilisation of funds of the Association.

Index Linked Loans

Where finance agreements include a provision for the outstanding capital balance and the interest payable to be indexed in line with the retail price index or similar indices, the indexation increase for the year is charged in full to the Statement of Comprehensive Income.

Finance Arrangement Fees

The costs incurred in raising private finance are charged to revenue over the shorter of the terms of the loans and the period over which the loan facility is drawn down. Costs in respect of refinancing loans are written off in the year in which the loan is refinanced.

Value Added Tax

The Group is registered for Value Added Tax ("VAT") but a significant proportion of its income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the Statement of Comprehensive Income.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme
The Association participates in an industry wide multi-employer defined benefit pension scheme where it is possible for individual employers to identify their share of the assets and liabilities of the pension scheme. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date. The amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme Growth Plan
The Association participates in the Social Housing Pension Scheme Growth Plan (the 'Scheme'), a multi-employer defined benefit pension scheme where the Scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the Scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the Scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit

in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Management Expenses

Management expenses are allocated to activities either directly or on the basis of staff time spent on the activity.

Service Charge Sinking Funds and Service Costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions, are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial Instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial Assets Carried at Amortised Cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial Liabilities Carried at Amortised Cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings. Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Public Benefit Entity Concessionary Loans

Where loans are made or received between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Gift aid Payments

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release 'Guidance on donations by a company to its parent charity'.

2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

FRS 102

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Actual results may differ from these estimates.

Significant Management Judgements

Impairment properties
The Group has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. No impairment was deemed to have been triggered during the year.

Capitalisation of property development costs
The Group capitalises development expenditure in accordance with the accounting policies on housing properties and investment properties. Capitalisation requires a range of judgements, such as establishing which associated development costs should be capitalised and which costs should be written off and the likelihood that projects will continue.

Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Components of Housing Properties and Useful Lives
Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

Defined benefit pension scheme
The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability (see note 27)

3. LETTINGS AND OTHER RELATED INFORMATION

Particulars of turnover, cost of sales, operating costs and operating surplus by class of business – Continuing activities

Group	**2021**				2020			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social Housing Lettings								
General Needs and Sheltered Housing	**11,393**	**-**	**(7,474)**	**3,919**	11,145	-	(7,197)	3,948
Supported Housing	**2,758**	**-**	**(2,602)**	**156**	2,700	-	(2,549)	151
Older Persons	**2,731**	**-**	**(1,981)**	**750**	2,689	-	(2,021)	668
Shared Ownership	**217**	**-**	**(193)**	**24**	224	-	(211)	13
	17,099	**-**	**(12,250)**	**4,849**	16,758	-	(11,978)	4,780
Other Social Housing Activities								
Management services	**6**	**-**	**-**	**6**	6	-	-	6
Other	**245**	**-**	**(171)**	**74**	251	-	(228)	23
	251	**-**	**(171)**	**80**	257	-	(228)	29
Non-Social Housing Activities								
Lettings	**96**	**-**	**-**	**96**	104	-	-	104
Properties built for outright sale	**-**	**-**	**(3)**	**(3)**	-	-	(2)	(2)
Other								
	96	**-**	**(3)**	**93**	104	-	(2)	102
	17,446	**-**	**(12,424)**	**5,022**	17,119	-	(12,208)	4,911
(Deficit)/Surplus on sale of properties				**(23)**				35
Deficit on revaluation of Investment Propertie:				**-**				(10)
Operating Surplus				**4,999**				4,936

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of turnover, cost of sales, operating costs and operating surplus by class of business– Continuing activities

Association	**2021**				2020			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social Housing Lettings								
General Needs and Sheltered Housing	**11,393**	**-**	**(7,474)**	**3,919**	11,145	-	(7,197)	3,948
Supported Housing	**2,758**	**-**	**(2,602)**	**156**	2,700	-	(2,549)	151
Older Persons	**2,688**	**-**	**(1,936)**	**752**	2,646	-	(1,975)	671
Shared Ownership	**217**	**-**	**(193)**	**24**	224	-	(211)	13
	17,056	**-**	**(12,205)**	**4,851**	16,715	-	(11,932)	4,783
Other Social Housing Activities								
Management services	**6**	**-**	**-**	**6**	6	-	-	6
Other	**245**	**-**	**(171)**	**74**	251	-	(228)	23
	251	**-**	**(171)**	**80**	257	-	(228)	29
Non-Social Housing Activities								
Lettings	**96**	**-**	**-**	**96**	104	-	-	104
Other	**-**	**-**	**(3)**	**(3)**	-	-	(2)	(2)
	96	**-**	**(3)**	**93**	104	-	(2)	102
	17,403	**-**	**(12,379)**	**5,024**	17,076	-	(12,162)	4,914
Surplus on sale of properties				**(23)**				35
Deficit on revaluation of Investment Properties				**-**				(10)
Operating Surplus				**5,001**				4,939

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of income and expenditure from social housing lettings

Group	General Needs and Sheltered Housing £'000	Supported Housing £'000	Older Persons £'000	Shared Ownership £'000	Total 2021 £'000	Total 2020 £'000
Income						
Rent receivable	**10,124**	**1,345**	**1,322**	**169**	**12,960**	12,774
Service Charges income	**517**	**452**	**1,296**	**-**	**2,265**	2,109
Income from support services	**-**	**878**	**-**	**-**	**878**	875
Amortised Government Grants	**752**	**70**	**113**	**48**	**983**	987
Other revenue grants	**-**	**13**	**-**	**-**	**13**	13
Turnover from social housing lettings	**11,393**	**2,758**	**2,731**	**217**	**17,099**	16,758
Expenditure						
Management Costs	**2,041**	**539**	**416**	**62**	**3,058**	3,008
Service Charges expenditure	**518**	**1,480**	**1,040**	**-**	**3,038**	3,050
Routine Maintenance	**2,076**	**279**	**165**	**-**	**2,520**	2,150
Major Repairs expenditure	**656**	**88**	**52**	**-**	**796**	673
Bad Debts	**147**	**24**	**4**	**-**	**175**	393
Depreciation of housing properties	**2,036**	**192**	**304**	**131**	**2,663**	2,704
Impairment of housing properties	**-**	**-**	**-**	**-**	**-**	-
Operating costs on social housing lettings	**7,474**	**2,602**	**1,981**	**193**	**12,250**	11,978
Operating surplus on social housing lettings	**3,919**	**156**	**750**	**24**	**4,849**	4,780
Rent loss due to voids	**102**	**52**	**41**	**-**	**195**	199

Included within Supported Housing income is an amount of £951,929 (2020: £955,159) for Supporting People.

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of income and expenditure from social housing lettings

Association	General Needs and Sheltered Housing £'000	Supported Housing £'000	Older Persons £'000	Shared Ownership £'000	Total 2021 £'000	Total 2020 £'000
Income						
Rent receivable	**10,124**	**1,345**	**1,322**	**169**	**12,960**	12,774
Service Charges income	**517**	**452**	**1,253**	**-**	**2,222**	2,066
Income from support services	**-**	**878**	**-**	**-**	**878**	875
Amortised Government Grants	**752**	**70**	**113**	**48**	**983**	987
Other revenue grants	**-**	**13**	**-**	**-**	**13**	13
Turnover from social housing lettings	**11,393**	**2,758**	**2,688**	**217**	**17,056**	16,715
Expenditure						
Management Costs	**2,041**	**539**	**416**	**62**	**3,058**	3,008
Service Charges expenditure	**518**	**1,480**	**995**	**-**	**2,993**	3,004
Routine Maintenance	**2,076**	**279**	**165**	**-**	**2,520**	2,150
Major Repairs expenditure	**656**	**88**	**52**	**-**	**796**	673
Bad Debts	**147**	**24**	**4**	**-**	**175**	393
Depreciation of housing properties	**2,036**	**192**	**304**	**131**	**2,663**	2,704
Impairment of housing properties	**-**	**-**	**-**	**-**	**-**	-
Operating costs on social housing lettings	**7,474**	**2,602**	**1,936**	**193**	**12,205**	11,932
Operating surplus on social housing lettings	**3,919**	**156**	**752**	**24**	**4,851**	4,783
Rent loss due to voids	**102**	**52**	**41**	**-**	**195**	199

Included within Supported Housing income is an amount of £951,929 (2020: £955,159) for Supporting People.

4. SURPLUS BEFORE TAX

Group	**2021**	2020
	£'000	£'000
Surplus before tax is stated after charging:		
Depreciation - housing property	**2,663**	2,704
Depreciation - other property, plant and equipment	**243**	235
Amortisation - intangible assets	**33**	42
Operating lease rentals	**188**	184
Auditor's remuneration - including VAT		
- In their capacity as auditors	**25**	16
- In respect of other services	**4**	7
Remuneration paid to internal auditors - including VAT	**31**	26

Association	**2021**	2020
	£'000	£'000
Surplus before tax is stated after charging:		
Depreciation - housing property	**2,663**	2,704
Depreciation - other property, plant and equipment	**243**	235
Amortisation - intangible assets	**33**	42
Operating lease rentals	**188**	184
Auditor's remuneration - including VAT		
- In their capacity as auditors	**23**	16
- In respect of other services	**4**	4
Remuneration paid to internal auditors - including VAT	**31**	26

5. SURPLUS ON SALE OF HOUSING PROPERTIES

Group and Association	**2021**	2020
	£'000	£'000
Sales proceeds	**370**	229
Cost of sales	**(388)**	(189)
Administration costs	**(5)**	(5)
	(23)	35

6. INTEREST RECEIVABLE AND OTHER INCOME

Group and Association	2021 £'000	2020 £'000
Bank interest receivable	-	17
Other interest receivable	-	-
	-	17

7. INTEREST PAYABLE AND FINANCING COSTS

Group and Association	2021 £'000	2020 £'000
Defined benefit pension net interest expense (note 27)	**30**	100
Unwinding of discount on pension provisions (note 27)	-	-
On building Society loans :		
- repayable wholly or partly in 5 or less years	**95**	96
- repayable wholly or partly in more than 5 years	**1,039**	1,287
On loans from RBS Fresh :		
- repayable wholly or partly in more than 5 years	**156**	159
Other loans not wholly repayable within 5 years		
- Index linked	**26**	39
- Debenture stock	**1,242**	1,261
	2,588	2,942
Less Interest cost capitalised	**(31)**	(68)
	2,557	2,874
Exceptional Breakage costs	-	5,765
	2,557	8,639

During the last financial year, the association made the decision to refinance the majority of its outstanding bank loans in order to fund its development programme. The refinancing project was concluded in September 2019. This resulted in an exceptional cost of £5,764,720 comprising of loan breakage fees of £5,427,128 (2019: £Nil) and accelerated write off of deferred fees associated with the three loans repaid early of £337,592.

There were no similar costs incurred during this financial year.

A total of £31,326 (2020: £67,974) of interest paid on borrowings used to fund one scheme was capitalised based on the average interest rates paid on borrowings for each month expenditure was incurred on the scheme.

8. TAXATION

Group	**2021 £'000**	2020 £'000
Current tax on surplus before tax:		
UK corporation tax	**-**	-
Total tax on surplus before tax	**-**	-

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

	2021 £'000	2020 £'000
Surplus/(Deficit) before tax	**2,442**	(3,686)
Surplus/(Deficit) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**464**	(700)
Effects of:		
Exempt charitable activities	**(464)**	-
Unutilised losses	**-**	700
Total tax for the year	**-**	-

Association	**2021 £'000**	2020 £'000
Current tax on surplus before tax:		
UK corporation tax	**-**	-
Total tax on surplus before tax	**-**	-

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

	2021 £'000	2020 £'000
Surplus/(Deficit) before tax	**2,444**	(3,683)
Surplus/(Deficit) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**464**	(700)
Effects of:		
Exempt charitable activities	**(464)**	-
Unutilised losses	**-**	700
Total tax for the year	**-**	-

9. DIRECTORS' EMOLUMENTS

The directors are defined as members of the Board of Management and members of the Executive Team and are listed on page 1. Remuneration was paid to members of the Board of Management from 1 April 2020. The emoluments of all directors are as follows:

Group and Association:	**2021**	2020
	£'000	£'000
Executive Team:		
Wages and salaries	**269**	273
Social security costs	**33**	34
Other pension costs	**31**	21
	333	328
Board of Management:		
Wages and salaries	**41**	-
Social security costs	**-**	-
Other pension costs	**-**	-
	41	-
Total cost of Directors' Emoluments	**374**	-

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply. As expected, the Chief Executive is the highest paid director. The highest paid director in each year received the following emoluments:

Group	**2021**	2020
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions	**109**	108

Association	**2021**	2020
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions	**109**	108

9. DIRECTORS' EMOLUMENTS (Continued)

The directors' emoluments (including the highest paid director and excluding pension contributions and redundancy costs) are in the following ranges:

Group	**2021 Number**	2020 Number
£Nil (Board of Management)	**-**	9
£1 - £5,000	**8**	-
£5,001 – 10,000	**1**	-
£75,001 - £80,000	**1**	1
£85,001 - £90,000	**1**	1
£95,001 - £100,000	**-**	-
£105,001 - £110,000	**1**	1

In accordance with the Community Housing Cymru (CHC) Code of Conduct, the Board has established a policy and procedure in relation to the payment of expenses to Board members. The Group and Association are prepared to reimburse out-of-pocket expenses incurred on Group and Association business.

Group and Association	**2021 £'000**	2020 £'000
Total Board member expenses	**-**	3

All expenses claimed by members of the Executive Team are processed through the payroll and included in the emoluments noted above.

10. EMPLOYEE INFORMATION

The average number of persons expressed as full time equivalents (calculated based on the full time hours for each individual post and including executive directors) employed during the year is as follows:

Group and Association	**2021 Number**	2020 Number
Office staff	**65**	64
Wardens and caretakers	**70**	69
	135	133
Ancillary workers	**6**	7
	141	140

10. EMPLOYEE INFORMATION (Continued)

The emoluments of the above employees are as follows:

Group	**2021**	2020
	£'000	£'000
Wages and salaries	**3,760**	3,792
Social security costs	**334**	338
Other pension costs	**319**	178
	4,413	4,308

Association	**2021**	2020
	£'000	£'000
Wages and salaries	**3,759**	3,791
Social security costs	**334**	338
Other pension costs	**319**	178
	4,412	4,307

The costs and numbers referred to above relate to permanent members of staff employed by the Group and Association, including wardens, but excluding those employed by voluntary organisations at the Association's hostels.

The emoluments of the staff (full time equivalents excluding pension contributions) in excess of £50,000 are in the following ranges:

Group and Association	**2021**	2020
	Number	Number
£50,001 – £60,000	**2**	3
£60,001 - £70,000	**-**	-
£70,001 - £80,000	**-**	-
£80,001 - £90,000	**2**	2
£90,001 - £100,000	**-**	-
£100,001 - £110,000	**1**	1

11. INTANGIBLE FIXED ASSETS

Group and Association	Computer licences £'000
Cost	
At 1 April 2020	537
Additions	5
At 31 March 2021	**542**
Amortisation	
At 1 April 2020	493
Charge for the year	32
At 31 March 2021	**525**
Net Book Value	
At 31 March 2021	**17**
At 31 March 2020	44

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group and Association	Housing properties £'000	Other properties £'000	Housing properties under construction £'000	Total £'000
Cost				
At 1 April 2020	178,307	8,712	3,192	190,211
Additions	5,140	216	1,154	6,510
Schemes Completed	3,498	-	(3,498)	-
Disposals	(593)	(99)	(329)	(1,021)
At 31 March 2021	**186,352**	**8,829**	**519**	**195,700**
Depreciation				
At 1 April 2020	24,225	1,724	-	25,949
Charge for the year	2,350	122	-	2,472
Eliminated on disposals	(356)	(75)	-	(431)
At 31 March 2021	**26,219**	**1,771**	-	**27,990**
Net Book Value				
At 31 March 2021	**160,133**	**7,058**	**519**	**167,710**
At 31 March 2020	154,082	6,987	3,193	164,262
Freehold land and buildings	174,455	8,121	519	183,095
Long leasehold land and buildings	11,897	708	-	12,605
	186,352	**8,829**	**519**	**195,700**

At 1 October 2020, the Association's property stock was insured on the basis of its estimated rebuilding cost for £386,401,638 (2020: £373,688,658).

For traditional shared ownership and Do-it-yourself shared ownership properties (DIYSO), only the Association's equity share of the cost and social housing development administration of £144,914 (2020: £141,340) was capitalised during the year.

Capitalised interest of £31,326 (2020: £141,340) has been included in the cost of housing properties. There is no depreciation in respect of properties disposed of during the year.

A 99 year extension on an existing lease was purchased during the year and is included within additions above. At the balance sheet date, there is 150 years remaining on the lease.

Works on existing properties during the year amounted to £4,624,677 (2020: £4,334,210). £1,308,089 (2020: £1,512,063) was spent on component replacements and is included within the total additions of £6,509,570 (2020: £4,129,950). The remaining £3,316,588 (2020: £2,822,147) relates to the other costs incurred by the Asset Management department, including its share of overheads, all of which have been included in the Statement of Comprehensive Income.

13. OTHER PROPERTY PLANT AND EQUIPMENT

Group and Association	Freehold and leasehold offices	Office equipment and fittings	Assets held under finance leases	Scheme assets	Investment properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2020	567	2,569	23	1,148	101	4,408
Additions	-	107	-	31	-	138
Transfer of assets	50	-	-	-	(50)	-
Disposals	(63)	(58)	-	(5)	-	(126)
At 31 March 2021	**554**	**2,618**	**23**	**1,174**	**51**	**4,420**
Depreciation						
At 1 April 2020	223	2,327	23	880	-	3,453
Charge for the year	12	140	-	91	-	243
Eliminated on disposals	(30)	(57)	-	(3)	-	(90)
At 31 March 2021	**205**	**2,410**	**23**	**968**	**-**	**3,606**
Net Book Value						
At 31 March 2021	**349**	**208**	**-**	**206**	**51**	**814**
At 31 March 2020	344	242	-	268	101	955

Due to restrictions caused by the Coronavirus, no independent valuation could be obtained for the fair value of the investment properties for 31 March 2021 or 2020. However, following a review of the valuation report produced by Richard Baddeley and Company for 31 March 2019 and research into the local market and tenancy agreements at 31 March 2021 and 2020, management have deemed the values included above as the fair value of the assets at 31 March 2021. Significant assumptions applied were as follows:

- All required valid planning permissions and statutory approvals for the buildings and their use have been obtained and complied with.
- The properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown.
- The properties and their value are unaffected by any matters which could be revealed by a Local Search or by a Statutory Notice and that neither the properties, nor their condition, their use, or their intended use, is or will be unlawful.
- That an inspection of those parts which have not been inspected, or a survey inspection, would not reveal material defects, or cause the Valuer to alter the Valuation materially.
- The properties are connected to and there is the right to use the reported main services on normal terms.
- That sewers, main services and the roads giving access to the properties have been adopted.

There are no restrictions on the realisability of the investment properties.

13. OTHER PROPERTY PLANT AND EQUIPMENT (Continued)

An investment property held on 1 April 2020 was transferred into freehold offices during the year. The office is owned by the association and was rented out to external commercial tenants until 30 September 2020. Since then, the office has been used as an area office. The property has been transferred at its fair value per the last external valuation performed on 31 March 2019.

14. FIXED ASSET INVESTMENTS

Group and Association	**2021**	2020
	£'000	£'000
Loans granted under Home Buy Option rules	**769**	769

Loans granted under Home Buy Option rules are interest free loans provided to homebuyers as part of a programme funding low cost home ownership. The loans have no fixed repayment date and no monthly repayment requirements and are secured via a second legal charge over the property in favour of the Association.

The value of Home Buy loans which have been committed but not taken up at 31 March 2021 is £Nil (2020: £Nil).

Principal Group Investments
The Association owns 100% of the share capital of Domus Cambria Limited, a private limited company, whose principal activity is the commercial development of residential properties for sale. Any profits made by Domus Cambria Limited are gift aided to the Association.

15. STOCK

Group and Association	**2021**	2020
	£'000	£'000
Completed properties for resale	**-**	-
Materials stock	**152**	36
	152	36

16. DEBTORS

Group	2021 £'000	2020 £'000
Arrears of rent and service charges		
- General Stock	**686**	523
- Older Persons	**57**	48
- Supported Housing	**93**	79
Less: Provision for bad and doubtful debts	**(607)**	(456)
	229	194
Social Housing Grant receivable	**1,040**	1,031
Other debtors	**537**	359
Prepayments and accrued income	**480**	406
	2,286	1,990

Association	2021 £'000	2020 £'000
Arrears of rent and service charges		
- General Stock	**686**	523
- Older Persons	**57**	48
- Supported Housing	**93**	79
Less: Provision for bad and doubtful debts	**(607)**	(456)
	229	194
Social Housing Grant receivable	**1,040**	1,031
Amounts owed by Group undertakings	**76**	50
Other debtors	**535**	358
Prepayments and accrued income	**480**	406
	2,360	2,039

Social Housing Grant Receivable

Included within Social Housing Grant receivable is a balance of £239,484 (2020: £241,546) owed to the Association and receivable during the next thirty years in the form of a Housing Finance Grant. £237,066 (2020: £239,484) of this balance is due after more than one year. The balance also includes £754,565 (2020: £771,925) due to the association over the next 29 years in the form of a second strand of Housing finance grant (HFG2). £736,578 (2020: £754,565) of this balance is due after more than one year.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	**2021**	2020
	£'000	£'000
Bank and other loans	**4,984**	63
Rents received in advance	**210**	137
Social Housing Grant received in advance	**1,259**	1,347
Trade and other creditors	**1,760**	996
Interest payable	**265**	335
Recycled Capital Grant Fund	**539**	485
Deferred capital grant	**981**	953
Pension deficit contribution	**2**	2
Accruals and deferred income	**2,031**	1,029
	12,031	5,347

Association	**2021**	2020
	£'000	£'000
Bank and other loans	**4,984**	63
Rents received in advance	**210**	137
Social Housing Grant received in advance	**1,259**	1,347
Trade and other creditors	**1,759**	995
Interest payable	**265**	335
Recycled Capital Grant Fund	**539**	485
Deferred capital grant	**981**	953
Pension deficit contribution	**2**	2
Accruals and deferred income	**2,031**	1,029
	12,030	5,346

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

Group and Association	**2021**	2020
	£'000	£'000
Bank and other loans	**52,861**	57,323
Recycled Capital Grant Fund	**134**	140
Housing Finance Grant	**1,024**	1,053
Deferred capital grant	**86,290**	86,968
Pension deficit contribution	**6**	8
	140,315	145,492

The above amounts are repayable as follows:		
Between one and two years	**3,501**	6,014
Between two and five years	**5,591**	16,177
After five years	**131,223**	123,301
	140,315	145,492

19. BANK AND OTHER LOANS

Group and Association	2021 £'000	2020 £'000
Index linked		
- Nationwide Building Society at 4.5%	-	-
- The Housing Finance Corporation at 5.65% for 30 years	-	32
- M&G at 3.935% for 30 years	543	543
Debenture stock		
- THFC 8.625% Debenture stock 30 years	2,500	2,500
- THFC 8.75% Debenture stock 25 years	5,000	5,000
- THFC 5.2% Debenture stock 30 years	10,000	10,000
- M&G Debenture stock	1,610	1,610
Other housing loans		
- RBS - Fresh Plc	1,381	1,415
- Principality Building Society	5,000	5,000
- Royal Bank of Scotland	-	-
- Scottish Widows	29,000	29,000
- Lloyds	2,500	2,000
- Less: Deferred loan issue costs	(779)	(848)
	56,755	56,252
Add: Premium on debenture stock		
At 1 April 2020	1,185	1,237
Credited to income and expenditure account	(56)	(52)
At 31 March 2021	1,129	1,185
Less: Deferred interest on debenture stock		
At 1 April 2020	(51)	(63)
Charged to income and expenditure account	12	12
At 31 March 2021	(39)	(51)
Total bank and other loans	57,845	57,386

The bank and other loans are secured on the Association's housing properties and are repayable in instalments or by way of bullet repayments on the maturity of the loans. The loan portfolio includes both fixed rate and variable rate loans. Certain tranches of variable rate loans have been fixed over a range of maturity periods using interest rate swaps.

The average interest rate on the loan portfolio as a whole is 5.76% (2020: 5.48%).

The association completed a refinancing project during the previous financial year whereby six of the existing loans were repaid early and three new loans were taken out. Break costs were payable on three of the loans repaid early amounting to £5,764,720. These were settled in September 2019. £25.5million remains undrawn from the new loans taken out in September 2019. Security is already in place for the undrawn amount and as such, is available for utilisation on request.

20. DEFERRED INCOME – GOVERNMENT GRANTS

Group and Association	2021 £'000	2020 £'000
Social Housing Grant		
At 1 April 2020	**108,048**	107,431
Grants receivable	**562**	742
Disposals	**(267)**	(125)
At 31 March 2021	**108,343**	108,048
Housing Finance Grants		
At 1 April 2020	**1,057**	1,057
Grants receivable	**-**	-
At 31 March 2021	**1,057**	1,057
Amortisation		
At 1 April 2020	**20,131**	19,154
Amortisation to Statement of Comprehensive Income	**983**	986
Disposals	**(9)**	(9)
At 31 March 2021	**21,105**	20,131
Net Deferred Income – Government Grants		
Due within one year	**981**	953
Due after more than one year	**87,314**	88,021
At 31 March 2021	**88,295**	88,974

Group and Association	2021 £'000	2020 £'000
Recycled Capital Grant Fund		
At 1 April 2020	**626**	539
Grants receivable	**47**	87
At 31 March 2021	**673**	626

21. CALLED-UP SHARE CAPITAL

	2021 £	2020 £
Shares of £1 each issued and fully paid		
At 1 April 2020	**36**	34
Issued during the year	**2**	2
At 31 March 2021	**38**	36

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 and are not redeemable.

22. FINANCIAL INSTRUMENTS

The carrying values of the Group's and Association's financial assets and liabilities are summarised by category as follows:

Group	**2021**	2020
	£'000	£'000
Financial Assets		
Measured and undiscounted amount receivable:		
- Rent arrears and other debtors (see note 16)	**766**	553
- Loans to employees	**-**	-
	766	553
Financial Liabilities		
Measured at amortised cost:		
- Bank and other loans (note 19)	**57,845**	57,386
Measured and undiscounted amount payable:		
- Rents received in advance (note 17)	**210**	137
- Trade and other creditors (note 17)	**1,760**	996
	59,815	58,519

Association	**2021**	2020
	£'000	£'000
Financial Assets		
Measured and undiscounted amount receivable:		
- Rent arrears and other debtors (see note 16)	**764**	552
- Amounts due from related party undertakings (note 16)	**76**	50
- Loans to employees	**-**	-
	840	602
Financial Liabilities		
Measured at amortised cost:		
- Bank and other loans (note 19)	**57,845**	57,386
Measured and undiscounted amount payable:		
- Rents received in advance (note 17)	**210**	137
- Trade and other creditors (note 17)	**1,759**	995
	59,814	58,518

23. STATEMENT OF CASH FLOWS

Group	2021 £'000	2020 £'000
Cash flow from operating activities		
Surplus / (Deficit) for the year	**2,442**	(3,686)
Adjustment for non-cash items:		
- Amortisation of intangible assets	**32**	42
- Depreciation of property, plant and equipment	**2,906**	2,939
- Increase in stock	**(116)**	(15)
- (Increase) / Decrease in debtors	**(296)**	107
- Increase / (Decrease) in creditors	**2,020**	(1,019)
- Pension costs less contributions payable	**(572)**	(423)
- Carrying amount of property, plant and equipment disposals	**(23)**	35
- Decrease in fair value of investment properties	**-**	10
Adjustment for investing or financing activities:		
- Proceeds from the sale of property, plant and equipment	**(370)**	(229)
- Government grants utilised in the year	**(983)**	(986)
- Interest receivable and other income	**-**	(17)
- Interest payable and financing costs	**2,557**	2,874
- Break Costs of refinancing	**-**	5,765
Net cash generated from operating activities	**7,597**	5,397
Cash and cash equivalents		
Cash at bank and on deposit	**1,487**	1,600

Consolidated analysis of changes in Net Debt

For the year ended 31 March 2021

	At 1 April 2020 '£000	Cash Flows £'000	Other Changes £'000	At 31 March 2021 £'000
Cash	**1,600**	**(113)**	**-**	**1,487**
Debt due in less than one year	**(63)**	**(4,921)**	**-**	**(4,984)**
Debt due in more than one year	**(57,323)**	**4,462**	**-**	**(52,861)**
Current Asset Investments	**-**	**-**	**-**	**-**
Total	**(55,786)**	**(572)**	**-**	**(56,358)**

23. STATEMENT OF CASH FLOWS (Continued)

Association	2021 £'000	2020 £'000
Cash flow from operating activities		
Surplus / (Deficit) for the year	**2,444**	(3,683)
Adjustment for non-cash items:		
- Amortisation of intangible assets	**32**	42
- Depreciation of property, plant and equipment	**2,906**	2,939
- Increase in stock	**(116)**	(15)
- (Increase) / Decrease in debtors	**(321)**	85
- Increase / (Decrease) in creditors	**2,020**	(1,019)
- Pension costs less contributions payable	**(572)**	(423)
- Carrying amount of property, plant and equipment disposals	**(23)**	35
- Decrease in fair value of investment properties	**-**	10
Adjustment for investing or financing activities:		
- Proceeds from the sale of property, plant and equipment	**(370)**	(229)
- Government grants utilised in the year	**(983)**	(986)
- Interest receivable and other income	**-**	(17)
- Interest payable and financing costs	**2,557**	2,874
- Break Costs of refinancing	**-**	5,765
Net cash generated from operating activities	**7,574**	5,378
Cash and cash equivalents		
Cash at bank and on deposit	**1,424**	1,560

Association analysis of changes in Net Debt

For the year ended 31 March 2021

	At 1 April 2020 '£000	Cash Flows £'000	Other Changes £'000	At 31 March 2021 £'000
Cash	**1,560**	**(136)**	**-**	**1,424**
Debt due in less than one year	**(63)**	**(4,921)**	**-**	**(4,984)**
Debt due in more than one year	**(57,323)**	**4,462**	**-**	**(52,861)**
Current Asset Investments	**-**	**-**	**-**	**-**
Total	**(55,826)**	**(595)**	**-**	**(56,421)**

24. CAPITAL COMMITMENTS

Group and Association	**2021**	2020
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**3,005**	524
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	**1,928**	3,650

The Group and Association expects to finance the above expenditure by:

Social Housing Grant receivable	**1,209**	173
Loans approved but not utilised	**3,724**	4,001
Cash held on deposit	**-**	-
	4,933	4,174

25. OTHER FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group and Association	**2021**	2020
	£'000	£'000
Payments due:		
Within one year	**90**	182
Between one and five years	**85**	155
After five years	**143**	162
	318	499

26. HOUSING STOCK

Group and Association	2021 Number of homes	2020 Number of homes As restated
Under management at the year-end		
General needs rented units	**2,108**	2,066
Extra Care and Older Persons schemes	**195**	195
Supported Housing Units	**302**	297
Shared ownership and leasehold units	**121**	122
	2,726	2,680

Group and Association	2021 Number of homes	2020 Number of homes
Under development at the year-end		
Rented units	**20**	26
Properties purchased under the RA scheme	**-**	4
	20	30

Group and Association	2021 Number of homes	2020 Number of homes
Non-social housing lettings		
Commercial units	**21**	22

27. RETIREMENT BENEFIT SCHEMES

The Pensions Trust Retirement Solutions – Social Housing Pension Scheme

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

	31 March 2021 (£000s)	31 March 2020 (£000s)
Fair value of plan assets	14,832	13,289
Present value of defined benefit obligation	17,697	14,740
Deficit in plan	(2,865)	(1,451)
Unrecognised surplus	-	-
Net defined benefit liability to be recognised	**(2,865)**	**(1,451)**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	14,740	16,996
Current service cost	192	179
Expenses	10	10
Interest expense	348	389
Contributions by plan participants	79	124
Actuarial losses (gains) due to scheme experience	(406)	103
Actuarial (gains)/losses due to changes in demographic assumptions	(128)	(148)
Actuarial (gains)/losses due to changes in financial assumptions	3,253	(2,235)
Benefits paid and expenses	(391)	(678)
Defined benefit obligation at end of period	**17,697**	**14,740**

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	13,289	12,515
Interest income	318	289
Experience on plan assets (excluding amounts included in interest income) - gain	935	516
Contributions by the employer	602	523
Contributions by plan participants	79	124
Benefits paid and expenses	(391)	(678)
Fair value of plan assets at end of period	**14,832**	**13,289**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 to 31 March 2021 was £1,253,000.

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

	Period from 1 April 2020 to 31 March 2021 (£000s)	Period from 1 April 2019 to 31 March 2020 (£000s)
Current service cost	192	179
Expenses	10	10
Net interest expense	30	100
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**232**	289

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	935	516
Experience gains and losses arising on the plan liabilities - gain (loss)	406	(103)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	128	148
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(3,253)	2,235
Total amount recognised in other comprehensive income – gain/(loss)	(1,784)	2,796

ASSETS	31 March 2021 (£000s)	31 March 2020 (£000s)
Absolute Return	819	693
Alternative Risk Premia	559	929
Corporate Bond Fund	876	758
Credit Relative Value	467	364
Distressed Opportunities	428	256
Emerging Markets Debt	599	402
Fund of Hedge Funds	2	8
Global Equity	2,363	1,944
Infrastructure	989	989
Insurance-Linked Securities	356	408
Liability Driven Investment	3,769	4,410
Long Lease Property	291	230
Net Current Assets	90	57
Opportunistic Illiquid Credit	377	322
Liquid Credit	177	5
Private Debt	354	268
Property	308	293
Risk Sharing	540	449
Secured Income	617	504
High Yield	444	-

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Opportunistic Credit	407	-
Total assets	**14,832**	13,289

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

KEY ASSUMPTIONS

	31 March 2021	31 March 2020
	% per annum	% per annum
Discount Rate	2.19%	2.37%
Inflation (RPI)	3.10%	2.54%
Inflation (CPI)	2.60%	1.54%
Salary Growth	3.60%	2.54%

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

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.3
Female retiring in 2021	23.2
Male retiring in 2041	22.6
Female retiring in 2041	24.8

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2021

	Approximate % increase to liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	2.15	380
0.1% increase in the salary increase rate	0.12	22
0.1% increase in RPI	0.33	58

Assumptions

The association commissioned Quantum Advisory to review the assumptions used for the FRS 102 disclosures as at 31 March 2020 and 2021. The review was performed by a Fellow of the Institute and Faculty of Actuaries who confirmed that the work done was compliant with the Technical Actuarial Standards 100 (Principles for Technical Actuarial Work) and 300 (Pensions) issued by the Financial Reporting Council.

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The Pensions Trust Retirement Solutions – The Growth Plan

The Association participates in The Growth Plan (the 'Plan'), a multi-employer Plan which provides benefits to some 950 non-associated participating employers. The Plan is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the Plan as a defined benefit scheme. Therefore it accounts for the Plan as a defined contribution scheme.

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

A full actuarial valuation for the Plan was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the Plan as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11.243m per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	**£12,945,440 per annum**	**(payable monthly and increasing by 3% each on 1st April)**
From 1 April 2016 to 30 September 2028:	£54,560 per annum	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the Plan is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised

27. RETIREMENT BENEFIT SCHEMES (Continued)

is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 21 (£s)	31 March 20 (£s)	31 March 19 (£s)
Present value of provision	8,342	9,884	11,990

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Year Ending 31 March 2021 (£s)	**Year Ending 31 March 2020 (£s)**
Provision at start of period	9,884	11,990
Unwinding of the discount factor (interest expense)	223	152
Deficit contribution paid	(2,050)	(1,990)
Remeasurements - impact of any change in assumptions	285	(268)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	8,342	9,884

INCOME AND EXPENDITURE IMPACT

	Year Ending 31 March 2021 £	**Year Ending 31 March 2020 £**
Interest expense	223	152
Remeasurements – impact of any change in assumptions	285	(268)
Remeasurements – amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	508	(116)

27. RETIREMENT BENEFIT SCHEMES (Continued)

ASSUMPTIONS

	31 March 2021 % per annum	31 March 2020 % per annum	31 March 2019 % per annum
Rate of discount	0.66	2.53	1.39

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the Association and the Plan at each year-end:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2021 £	31 March 2020 £	31 March 2019 £
Year 1	2,111	2,050	1,990
Year 2	2,174	2,111	2,050
Year 3	2,240	2,174	2,111
Year 4	1,922	2,240	2,174
Year 5	-	1,922	2,240
Year 6	-	-	1,922

The Association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the year in which it arises.

It is these contributions that have been used to derive the Association's Statement of Financial Position liability.

Pension Deficit Contribution
Included within creditors is an amount £8,342 (2020: £9,884), being a provision for contributions payable under an agreement to fund the pension deficit arising on the Social Housing Pension Scheme Growth Plan. At 31 March 2021, £2,000 (2020: £2,000) is payable within one year, and the remaining £6,342 (2020: £7,884) is payable after more than one year.

28. CONTINGENT LIABILITIES

There would be a potential liability if the Association were to withdraw from the Social Housing Pension Scheme and The Growth Plan. See Note 27 for further details.

29. RENT SURPLUS FUND

The surplus rental income calculated in the manner determined by section 55(3) of the Housing Act 1998 and the Rent Surplus Fund Determination 1997 amounts to £nil (2020: £187,904). Given that a loss was produced last year, no transfers were made to the fund this year. The accumulated rent surplus fund amounted to £7,926,508 (2020: £7,926,508).

30. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

31. PARENT AND RELATED PARTY TRANSACTIONS

North Wales Housing Association Cymdeithas Tai Gogledd Cymru Limited is the ultimate parent company of Domus Cambria Limited.

Under FRS102, disclosure of intra-Group transactions between the Association and Domus Cambria is not required as the results of both are included within the consolidated financial statements. However, under the Welsh Determination, there is a requirement to provide an analysis of intra-Group transactions between RSLs and non RSLs. Accordingly, these are set out below:

Due to Domus Cambria making losses again this year, no gift aid adjustments to North Wales Housing are required. Cost of sales amounting to £nil (2020: £Nil) have been paid by the Association on behalf of Domus Cambria and recharged. Also, staff costs of £1,000 (2020: £1,000) were recharged by the Association to Domus Cambria.

At the year-end, £75,845 (2020: £49,620) is owed by Domus Cambria to the Association and is included within the association's debtors.

All Board members of the Association are deemed to be related parties of the Association.

During the year, one (2020: one) Board member was also a tenant of the Association. The member's tenancy is on normal terms. Total rent collected from this Board member for the year ended 31 March 2021 was £6,062 (2020: £6,007). The tenant member's rent account showed a credit at the end of the year of £222 (2020: £104 credit).

32. CONTROLLING PARTY

North Wales Housing Association is the parent company and the ultimate controlling party of the Group.