

**Derwent Housing Association Limited**

Consolidated Financial Statements

for the year ended

31st March 2020

# Derwent Housing Association Limited

## CONTENTS

for the year ended 31 March 2020

---

|   | Pages   |
|---|---------|
| Executive and Advisers  | 1       |
| Report of the Board   | 2 - 15  |
| Independent auditor's report to Derwent Housing Association Limited | 16 - 24 |
| Consolidated Statement of Comprehensive Income                      | 25      |
| Consolidated Statement of Financial Position                        | 26      |
| Statement of Changes in Reserves                                    | 27      |
| Consolidated Statement of Cash Flows                                | 28      |
| Accounting Policies   | 29 - 38 |
| Notes to the Consolidated Financial Statements                      | 39 - 75 |

# Derwent Housing Association Limited

## EXECUTIVES AND ADVISERS

for the year ended 31 March 2020

---

### BOARD

S Brain England OBE (Chair) (resigned 31 July 2019)

P Egan (resigned 13 November 2019)

M Gildea (resigned 31 July 2019)

R Hopkin (resigned 31 July 2019)

J Lloyd (resigned 30 September 2019)

P McCormack (resigned 31 March 2020)

R Docker (Chair) (appointed 18 July 2019)

D Good (appointed 18 July 2019)

Y Taylor (appointed 18 July 2019)

G Kitchen (appointed 1 October 2019)

D Marriott -Lavery (13 November 2019)

### EXECUTIVE DIRECTORS

P McCormack (Chief Executive) (resigned 31 March 2020)

### SECRETARY AND HEAD OFFICE

C Martin

Places for People

80 Cheapside

London

EC2V 6EE

### PRINCIPAL SOLICITORS

Devonshires Solicitors

30 Finsbury Circus

London

EC2M 7DT

### PRINCIPAL BANKERS

Barclays Plc

3 Hardman Street

Spinningfields

Manchester

M3 3HF

### AUDITOR

KPMG LLP

Chartered Accountants

One Snowhill

Snowhill Queensway

Birmingham

B4 6GH

**Derwent Housing Association Limited**  
**REPORT OF THE BOARD**  
for the year ended 31 March 2020

---

The directors submit their report and the financial statements of Derwent Housing Association Limited (“the Association”) and its group of companies. The Association registered under the Co-operative and Community Benefit Societies Act 2014, for the year ended 31 March 2020. The Association is also a Public Benefit Entity as defined in FRS 102.

**Strategic Report**

Derwent Housing Association has taken the exemption allowed in the statement of recommended practice for registered social housing providers to not include a strategic report as this is prepared for the Places for People Group and is included in the annual report which is available to the public and may be obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE

**Operating and Financial Review**

**Overview**

The Association is a Registered Provider based in Derby. As note 26 to the Financial Statements indicates, the Association has a diverse social housing stock that is located in an area from Milton Keynes in the south to Sheffield in the north. The student business is operated nationally.

Business is principally carried out through the parent company, Derwent Housing Association Limited which has a housing division that covers management, maintenance and customer services for all stock except student schemes which are managed by Derwent Facilities Management Limited.

At 31 March 2020 the Association’s business comprised five companies as follows:

- Derwent Housing Association Limited (Parent)
- Centro Place Investments Limited
- Derwent Facilities Management Limited (a subsidiary of Centro Place Investments Limited)
- Derwent Community Housing Association Limited
- Centro Place Management Limited

The diversity of the Association’s stock reflects the concern identified by the Board in the mid-1990’s that the business was entirely dependent upon public subsidy to be effective. It has since pursued commercial activities alongside its affordable housing business, which has allowed it to deliver significant numbers of affordable housing properties without public subsidy.

Joining the Places for People Group in December 2016 has enabled the Association to improve its projected supply of new homes over the coming years. 200 plus new properties were handed over in the year, with a further 775 forecast for delivery over the next 3 years.

**Derwent Housing Association Limited**  
**REPORT OF THE BOARD**  
for the year ended 31 March 2020

---

The business provides on campus student accommodation under the Uliving brand. The Association's role is the provision of facilities management and life cycle maintenance services through Derwent Facilities Management Limited.

In March 2020 the Association updated the three year rolling business plan. Targets focus around five main areas.

**Priority 1 – Our Customers**

- Ensure our tenancies are sustainable and profitable
- Develop our online systems to provide effortless customer service, directing our customers to self-serve where possible
- Continue to support our customers and develop our services to respond to the Welfare Reform agenda

**Priority 2 – Our Property**

- Ensure our assets are protected, performing well and fully comply with key regulatory and statutory standards
- Deliver excellent value for money property services

**Priority 3– Our Technology**

- Devise an optimal Information Communication Technology strategy in line with Project Synergy

**Priority 4 – Our Business Performance**

- Improve operating margin

**Priority 5– Our Growth and Development**

- Provide 775 new homes over three years

**Employees and Equality and Diversity**

The Association considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Association has a comprehensive training and development policy.

The Association is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Association recognises it has an obligation to make services more responsive to communities and individual needs, and aims to meet these diverse needs by having a diverse workforce that reflects the local population and has the skills and understanding to achieve the service objectives. The Association has taken positive steps to adopt good policy and practice in employing people with disabilities and holds the Positive About Disability award.

## **Customers**

The Association aims to create social, economic and environmental sustainability within our communities through resident involvement. The organisation is committed to working with customers so they can play a key role in service delivery and governance, and this has been given clear focus through the business plan. Customers are encouraged to become involved in tenant and resident associations on developments, and have the potential to become active at a more strategic level through membership of the Resident Scrutiny Panel. There are other opportunities for residents to influence our service delivery through topic-based focus groups and consultation exercises. Key active customers are also involved in staff training activities.

## **Suppliers**

The Association seeks to provide a high level of customer service, and recognises this cannot be achieved without the support of key suppliers who also have much face-to-face contact with our customers. The Association has entered into contracts with suppliers who share our expectations about service standards, and performance against these standards forms part of the contracts. The Association's customers formed part of the groups involved in selecting the partner organisations.

The Association continues to use internal suppliers, now utilising the cleaning service from the Group, adding to the already used landscaping function and the maintenance division.

The Association is determined to achieve value for money from its relationships with suppliers and has reduced significantly the number of suppliers with whom it deals in order to maximise the potential for benefits. The Association uses Group contacts in an attempt to obtain the best value, however where local suppliers can meet the requirements at a lesser cost they are utilised. The effectiveness of our procurement remains a key priority within the business plan.

## **Environment**

When property component replacements are undertaken they are done so with a view of improving energy efficiency and lowering emissions.

Derwent Housing Association Limited  
REPORT OF THE BOARD  
for the year ended 31 March 2020

---

**Value for money**

The Association's strategy is aligned to that of the parent company Places for People Group Limited. As such the Financial Viability Statement and Value for Money information appropriate to the Association can be found in the Group financial statements which can be obtained from the Group's registered office at 80 Cheapside, London, EC2V 6EE.

**Operating Review**

An updated business plan was produced, covering three years from 2020 to 2023. This plan, as detailed elsewhere in the report, focuses on improving customer satisfaction, developing new homes and managing costs in order to continue to improve operating margin. Over the course of the three year plan both operating margin and profitability are forecast to show improvements.

Treasury activity is now undertaken by the Places for People Group, with the Association obtaining all new funding through the Group Treasury function.

Core social housing business continues to be profitable with efficiencies achieved from joining the Places for People group only strengthening this position. An intensive major repair programme is being undertaken to ensure stock remains at the required standard. The development programme is going from strength to strength, with in excess of 200 properties being handed over during the year. A further 775 properties will be developed within the next three years.

Value for money metrics have been completed, which again demonstrate the Association operationally performing well with the operating cost per unit at £1,890 (2019 £2,102).

Derwent Facilities Management Limited had another profitable year, despite the loss of a number of key contracts. A business plan has been formulated which continues to demonstrate profit growth, despite a challenging environment.

**Risk**

The Association regularly reviews its principal risks. The Board reviews risk on an annual basis.

The Places for People Group Treasury Policy reduces financing risks for the Association. Board strategy seeks to minimise key risks on rental income by minimising reliance on welfare benefits, on commercial activity by taking more equity investment and management options and by keeping the business as simple and focused as possible.

# Derwent Housing Association Limited

## REPORT OF THE BOARD

for the year ended 31 March 2020

---

The key risks likely to affect the ability of the Association to meet its corporate objectives include: the coronavirus (Covid 19) outbreak, welfare reform and the introduction of Voluntary Right to Buy, data integrity, failure to maintain existing stock to the required standard, price inflation, loss of key staff, failure to meet regulatory requirements in such areas as gas safety and fire safety compliance, the development and maintenance of a robust assets and liabilities register, and risks associated with commercial activity such as the failure of Derwent Facilities Management Limited, Centro Place Investments Limited investments in the Uliving joint ventures, the 15-year rent guarantee on the Alumno student scheme in Glasgow, Derwent Facilities Management Limited's life cycle maintenance risks on key contracts, and the demand for student accommodation.

The most recent condition survey confirms that the stock is in good order and we have effective repairs strategies to maintain this including, where deemed appropriate, some disposals of properties. Uliving stock condition obligations have been fully assessed and are regularly tested.

On internal controls, the Board receives assurance via internal and external audits, as well as governance reviews, management controls and the enforcement of financial regulations, which are now aligned with those of the Places for People Group.

Welfare reform risk has been partly mitigated by the fact that only 49% of tenants receive housing benefit. This is around the strategy and business plan target to let to more tenants that are in employment rather than claiming benefit thus reducing the percentage of tenants claiming housing benefit. Therefore this should result in, a better profile of customer, less universal credit claims, and less impact of welfare reform.

In respect of the coronavirus (Covid-19) outbreak, there is an unprecedented level of uncertainty in world markets and a lack of a consensus view of the path of Covid-19. The Places for People Group has identified three key risks areas:

**Liquidity:** A reduction in rents collected from residents unable to work or local authorities failing to pay housing benefits in full and/or on time; a reduction in revenues; and a reduction in the volume and value of new home sales could put pressure on the Group's ability to meet its obligations.

**Health and Safety:** Protecting our workforce, in particular those classed as 'key workers', and customers, in particular our most vulnerable customers, during the outbreak is a key focus. If this is not achieved, there could be considerable social and economic costs resulting from staff becoming ill with Covid-19 or self-isolating, risking staff shortages and the inability of the Group to deliver services as required.

**Business continuity:** A lack of an available and suitably protected workforce, contractors, or essential components could lead to an inability to deliver key services.

The Places for People Group has addressed these risks accordingly; colleagues have access to information and support using our Employee Assistance Programme, covering not just Covid-19 concerns but also providing mental health and wellbeing support throughout this period of uncertainty. As part of our liquidity risk mitigation the Group undertakes challenging stress testing to provide confidence in our ability to withstand significant reductions in income. The testing has shown that if the Group were to have no sales or rental income for six months the liquidity position would still be sufficient to meet the Treasury Policy of at least 12 months' forward funding. This testing ensured we were in a strong position going into the Covid-19 pandemic and, while we continue to monitor the situation as it evolves, we are able to meet all obligations as they fall due even in severe scenarios. Cotman Housing is part of the Guarantor Group and can access funding from this Group pool, therefore the liquidity risk management approach for the Group is relevant for Cotman Housing. The risks identified and mitigating actions in place in respect of the current Covid-19 outbreak are considered to apply in the event of subsequent waves of Covid-19 or to any similar pandemics threatening health and economic activity in the future.

## STATEMENT OF BOARD'S RESPONSIBILITIES

The Association's principal accounting policies are set out on pages 29 to 38 of the financial statements.

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

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

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

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

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

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

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

**Derwent Housing Association Limited**  
**REPORT OF THE BOARD**  
for the year ended 31 March 2020

---

**CORPORATE GOVERNANCE**

Derwent Housing Association Limited is governed by a Board, ultimately responsible for the control of the Association, including the determination of its overall strategic policies. Day-to-day operational control of the Association is delegated to the Interim Managing Director (previously the Chief Executive).

The Board comprises non-executive Members from a wide variety of disciplines. All non-executive Members are deemed to be independent with the exception of Pat Egan, who was an executive director of the Places for People Group, Debi Marriott-Lavery, who is an executive director of the Places for People Group, Jon Lloyd, who was a non-executive director of the Places for People Group and Graham Kitchen, who is a non executive director of the Places for People Group. It meets formally at least every three months.

Directors' attendance at board meeting, in relation to the number of meetings held, during the year ended 31 March 2020 was as follows:

| <b>Board Member</b> | <b>DHA</b> | <b>CPI</b> | <b>DCHA</b> | <b>DFM</b> |
|---------------------|------------|------------|-------------|------------|
| S Brain England     | 2/2        | N/A        | 2/2         | N/A        |
| P Egan              | 3/3        | N/A        | N/A         | N/A        |
| D Marriott-Lavery   | 0/1        | N/A        | N/A         | N/A        |
| M Gildea            | 2/2        | 2/2        | 2/2         | 2/2        |
| R Hopkin            | 1/2        | 1/2        | N/A         | 1/2        |
| J Lloyd             | 1/2        | N/A        | N/A         | N/A        |
| P McCormack         | 4/4        | 1/1        | 4/4         | N/A        |
| R Docker            | 2/2        | N/A        | 2/2         | N/A        |
| D Good              | 2/2        | 2/2        | N/A         | 2/2        |
| Y Taylor            | 2/2        | 2/2        | N/A         | 2/2        |
| G Kitchen           | 2/2        | N/A        | N/A         | N/A        |
| M T Rickards        | N/A        | N/A        | 4/4         | N/A        |
| R Cookson           | N/A        | N/A        | 4/4         | N/A        |
| J Boucher           | N/A        | 3/3        | N/A         | 4/4        |

We have adopted the UK Corporate Code of Governance as the Code of Governance for Derwent Housing Association. Whilst our non-charitable subsidiaries are not required to comply with the Code, they undertake to adhere to the spirit of the Code. We comply with the Code of Governance in all material aspects and the RSH's Governance and Financial Viability Standard.

The Association has complied with the UK Corporate Governance Code (the Code) (2018 version) except for Code provisions 3, 4, 5 and 18.

Provisions 3, 4, and 18 contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments, director remuneration and the use of the AGM to communicate with investors.

The Association does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate standing committee of the board and it engages with investors through a series of roadshow meetings and through an annual investors forum. In relation to committee structures the Association relies on Group Board level committees, described below, to perform these relevant functions.

Derwent Housing Association Limited  
REPORT OF THE BOARD  
for the year ended 31 March 2020

---

The Group has an Audit & Risk Committee, a Remuneration Committee, a Nominations & Governance Committee, a Development, Investment & Regeneration Committee and a Treasury Committee. The remit of those committees extends to the Association and its business. The committees draw members from and report to the Group Board and there are members (non-executive and executive) of the Group Board who are also members of the board of the Association, ensuring that information from the committees reaches the Association's board. In this way, the provisions of the Code are met in respect of the Association.

Provision 5 states that the board should understand the views of other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 (duty to promote the success of the company) of the Companies Act 2006 (the 2006 Act) have been considered in board discussions and decision-making. The Association is a registered society rather than a company and so the specific reporting requirements under section 172 of the 2006 Act do not apply to it. However, the Association's parent company, Places for People Group Limited, publishes consolidated group accounts which do contain a section 172 statement within its Strategic report. That statement addresses the issue of identification of key stakeholders and engagement with their views across the whole Group including the Association.

Provision 5 also prescribes the options for workforce engagement. The board has concluded that its methods for engagement described in the People section of Group's Annual report are effective and more suited to the Group's overall needs than any of the Code's prescribed mechanisms.

The Group Annual report contains a Governance report that details the governance arrangements of the Group, and how the Code is applied at Group Board level.

Board members consider the report and accounts, taken as a whole, to be fair, balanced and understandable.

# Derwent Housing Association Limited

## REPORT OF THE BOARD

for the year ended 31 March 2020

---

### GOING CONCERN AND VIABILITY STATEMENT

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. The global Covid-19 pandemic has introduced significant levels of uncertainty into most businesses. The Board are paying close attention to the evolving situation and to mitigating the risks for the Group and have assessed the going concern in light of the risks raised by the pandemic.

At 31 March 2020 the Places for People Group (Group) had cash and undrawn facilities of £918.3m. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The Group has reviewed all of its business forecasts and projections and has produced a revised business plan for the year ending 31 March 2021. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

The directors have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Derwent Housing Association is part of the Guarantor Group and accesses funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the Association.

On the basis described above, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The UK Corporate Governance Code requires the directors to make a statement with regard to the viability of the Group. This requires consideration of solvency and liquidity over a longer period than the going concern assessment. The Group's strategic plan covers a 10-year period, over which the directors have made assumptions regarding revenues, operating costs and cash requirements.

The projections for the first three years of the plan are based on current opportunities and include an expectation of the rental incomes. There is inherently less certainty in the projections from years four to ten. Consistent with prior years, the directors have therefore determined that three years is an appropriate period for this viability statement.

# Derwent Housing Association Limited

## REPORT OF THE BOARD

for the year ended 31 March 2020

---

In assessing the Group's prospects and resilience, the management produced projections which considered the current business position and risk appetite. Despite the rent reductions imposed by the Government on social housing rents which came to an end in 2020, the Group has continued to undertake rigorous single and multi-variate stress testing exercises on its projections, which have included considering the impact of challenging economic conditions including a downturn in the housing market. The results confirmed that the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

This year, the directors have also considered specifically the impact of the Covid-19 pandemic. This is considered a principal risk given the more immediate nature of the situation, has been considered in more detail within the shorter term going concern considerations above. While the impacts of Covid-19 may well be felt in the longer as well as the shorter term, the prospects of economic recovery taking place after the severe economic shock modelled in the going concern assessment period is complete, are considered strong. The directors have considered several different severe yet plausible scenarios including potentially challenging outcomes such as considerable reductions in turnover. The directors also considered additional impacts, such as restrictions in supply chains, and were satisfied that measures were in place to mitigate significant risks to the Group's operations. The stress testing again demonstrated the ability of the Group to continue to operate effectively.

Having assessed the prospects of the Group and association, including the current funding, forecast requirements and existing committed borrowing facilities, the directors have a reasonable expectation that the Group and association will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023.

In making this statement the directors understand that there is inherent uncertainty in all business planning and therefore as a result it is not possible to take into account every risk and eventuality that the Group may face. The Board is satisfied that the stress testing that is performed on the business plan includes all of the major risks that the Group and association may face and therefore provides strong assurance of the Group's financial viability.

### COMPOSITION AND ROLE OF THE BOARD

The Board has a formal schedule of matters reserved for its decision, which includes overall strategy and future development, corporate structure, policy setting, allocation of financial resources, major acquisitions and disposals, annual budgets, annual results, treasury and risk management.

The Board conducts an annual review of its performance using a structured framework to assess key areas such as the boards' relationship with key stakeholders, risk management and performance management. As part of this annual review, board members are invited to provide feedback on the Chair's performance. The conclusion of the latest annual review is that the Board is effective. The Chair also holds annual 121s with all board members. It is not deemed that the Chair has any significant commitments which will impact on the role.

Responsibility for the Association's day-to-day operations is delegated to the senior management team who report through the Interim Managing Director.

Remuneration paid to board members in the period was as follows;

S Brain England OBE (Chair) (resigned 31 July 2019)- £6,375

M Gildea (resigned 31 July 2019) - £2,550

R Hopkin - (resigned 31 July 2019) - £3,333

R Docker (Chair) (appointed 18 July 2019) - £4,553

D Good (appointed 18 July 2019) - £2,820

Y Taylor (appointed 18 July 2019) - £2,820

J Lloyd and G Kitchen; as non executive directors of the Places for People Group details of their remuneration are included in the group accounts of Places for People Group Limited.

Derwent Housing Association Limited  
REPORT OF THE BOARD  
for the year ended 31 March 2020

---

## EXECUTIVE DIRECTORS

The executive directors of the Association who served during the year are as follows:

P McCormack (Chief Executive) (resigned 31 March 2020)

The executive director acts as an executive within the authority delegated by the Board. The detailed scrutiny and performance, the development of policy and procedures and expenditure approvals within budget are carried out by the executive officers.

## INTERNAL FINANCIAL CONTROL

The Board is ultimately responsible for the business's system of internal control and for reviewing its effectiveness. However, such a system is 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.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the business, that has been in place throughout the year under review and up to the date of approval of the annual report and consolidated financial statements, and that this process is regularly reviewed by the Board and is in accordance with best practice.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which this risk is managed.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. Management reports regularly to the Board on its review of risks.

A control self-assessment and hierarchical reporting routine has been established which provides for a documented and auditable trail of accountability. This routine is applied across all functions, and provides for successive assurances to be given at increasingly higher levels of management and finally to the Board. Internal auditors also provide a degree of assurance as to the operation and validity of the system of internal control, and review the business's risk management processes as part of their brief.

The Interim Managing Director (previously the Chief Executive) reports to the Board on significant changes in the business and the external environment which affect key risks.

Derwent Housing Association Limited  
REPORT OF THE BOARD  
for the year ended 31 March 2020

---

THE BOARD AND EXECUTIVE OFFICERS

The Board and the executive officer of the Association are listed on page 1.

Each member of the Board holds one fully paid share of £1 in the Association.

DONATIONS

Charitable donations from the Association of £nil were made in the period (2019: £nil).

AUDITOR

A resolution to reappoint KPMG LLP as auditor will be put to the members at the annual general meeting.

By order of the Board



R Docker  
Chair

5th August 2020

Registered office  
80 Cheapside  
London  
EC2V 6EE

## Derwent Housing Association Limited

Statement of Board's responsibilities in respect of the Board's report and the financial statements for the year ended 31 March 2020

---

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

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

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

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

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

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

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

## Derwent Housing Association Limited

Statement of Board's responsibilities in respect of the Board's report and the financial statements  
for the year ended 31 March 2020

---

### Disclosure of information to Auditors

The Directors who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which the Association's independent auditors are unaware; and each Director has taken all the steps he/she ought to have taken as Director to make himself/herself aware of any relevant audit information and to establish that the Association's independent auditors are aware of that information.

Approved by the board and signed on its behalf by;

A handwritten signature in black ink, appearing to read 'R Docker', is written over a horizontal line.

R Docker (Chair)

5th August 2020



## **Independent auditor's report to Derwent Housing Association Limited**

### **Opinion**

We have audited the financial statements of Derwent Housing Association Limited (“the association”) for the year ended 31 March 2020 which comprise the Group and Association Statements of Comprehensive Income, Group and Association Statements of Financial Position, Group and Association Statements of Changes in Reserves, Consolidated Statement of Cash Flows, and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2020 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

### **Other information**

The association's Board is responsible for the other information, which comprises the Report of the Board. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### **Matters on which we are required to report by exception**

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### **Board's responsibilities**

As more fully explained in their statement set out on page 14, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

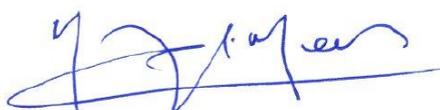
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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 as a body, for our audit work, for this report, or for the opinions we have formed.



**Harry Mears**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

24 September 2020

Derwent Housing Association Limited  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 March 2020

|  | Notes  | GROUP         |                       | ASSOCIATION   |                       |
|--|--------|---------------|-----------------------|---------------|-----------------------|
|  |        | Year to       | Restated              | Year to       | Restated              |
|  |        | 31.03.2020    | Year to<br>31.03.2019 | 31.03.2020    | Year to<br>31.03.2019 |
|  |        | £'000         | £'000                 | £'000         | £'000                 |
| TURNOVER   | 1      | 68,540        | 62,927                | 57,257        | 53,003                |
| Operating costs  | 1      | (44,539)      | (38,968)              | (33,950)      | (30,726)              |
| Gains on disposal of fixed assets                      | 1 & 3  | 1,795         | 2,472                 | 1,795         | 2,472                 |
| Movement in fair value of Investment Properties        | 1 & 11 | 21,908        | 14                    | 21,908        | 14                    |
| <b>OPERATING SURPLUS</b>                               |        | <b>47,704</b> | <b>26,445</b>         | <b>47,010</b> | <b>24,763</b>         |
| Share of operating surplus of joint ventures           | 1b     | 125           | 151                   | -             | -                     |
| Investment income receivable                           | 6a     | 1,123         | 622                   | -             | -                     |
| Interest receivable                                    | 6b     | 34            | 38                    | 349           | 318                   |
| Interest payable and similar charges                   | 7      | (17,509)      | (17,172)              | (17,475)      | (17,144)              |
| <b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>  |        | <b>31,477</b> | <b>10,084</b>         | <b>29,884</b> | <b>7,937</b>          |
| Taxation charge on surplus on ordinary activities      | 9      | (1,705)       | (736)                 | (1,400)       | (602)                 |
| <b>TOTAL INCOME FOR THE YEAR</b>                       |        | <b>29,772</b> | <b>9,348</b>          | <b>28,484</b> | <b>7,335</b>          |
| SHPS opening balance adjustment on initial recognition | 19(d)  | -             | (2,507)               | -             | (2,507)               |
| Actuarial gain or loss on defined benefit scheme       | 19(d)  | 1,075         | 758                   | 1,075         | 758                   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>         |        | <b>30,847</b> | <b>7,599</b>          | <b>29,559</b> | <b>5,586</b>          |

The surplus for the year arises from the Group's and the Association's continuing activities

The financial statements on pages 25 to 75 were approved by the Board and authorised for issue on 5th August 2020 and are signed on its behalf by:



R Docker  
Chair of the Board



C Martin  
Company Secretary



D Marriott-Lavery  
Director

Derwent Housing Association Limited  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 31 March 2020

| ASSETS AND LIABILITIES                                  | Notes | GROUP            |                  | ASSOCIATION      |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 31.03.2020       | 31.03.2019       | 31.03.2020       | 31.03.2019       |
|   |       | £'000            | £'000            | £'000            | £'000            |
| FIXED ASSETS  |       |                  |                  |                  |                  |
| Tangible Fixed Assets                                   |       |                  |                  |                  |                  |
| - Housing properties                                    | 10    | 533,863          | 514,172          | 522,597          | 503,113          |
| - Other tangible fixed assets                           | 12    | 2,958            | 2,961            | 2,898            | 2,896            |
| Investment properties                                   | 11    | 71,691           | 48,764           | 71,691           | 48,764           |
| Fixed asset investments                                 | 14    | 9,458            | 7,917            | -                | -                |
| Subsidiary undertakings                                 | 15    | -                | -                | 5,085            | 5,085            |
|   |       | <u>617,970</u>   | <u>573,814</u>   | <u>602,271</u>   | <u>559,858</u>   |
| CURRENT ASSETS  |       |                  |                  |                  |                  |
| Properties held for sale                                | 16    | 2,747            | 5,857            | 2,747            | 5,857            |
| Inventory   |       | 170              | 134              | -                | -                |
| Debtors   | 17    | 9,644            | 12,181           | 15,264           | 16,976           |
| Cash at bank and in hand                                |       | 5,804            | 8,421            | 3,187            | 4,464            |
|   |       | <u>18,365</u>    | <u>26,593</u>    | <u>21,198</u>    | <u>27,297</u>    |
| CREDITORS: Amounts falling due within one year          | 18    | <u>(37,693)</u>  | <u>(29,876)</u>  | <u>(35,838)</u>  | <u>(27,074)</u>  |
| NET CURRENT ASSETS/(LIABILITIES)                        |       | <u>(19,328)</u>  | <u>(3,283)</u>   | <u>(14,640)</u>  | <u>223</u>       |
| TOTAL ASSETS LESS CURRENT LIABILITIES                   |       | <u>598,642</u>   | <u>570,531</u>   | <u>587,631</u>   | <u>560,081</u>   |
| CREDITORS: Amounts falling due after more than one year | 19a   | <u>(506,398)</u> | <u>(509,134)</u> | <u>(503,282)</u> | <u>(505,291)</u> |
| NET ASSETS  |       | <u>92,244</u>    | <u>61,397</u>    | <u>84,349</u>    | <u>54,790</u>    |
| <b>CAPITAL AND RESERVES</b>                             |       |                  |                  |                  |                  |
| Share capital (non-equity)                              | 21    | -                | -                | -                | -                |
| Revenue reserve   |       | 92,244           | 61,397           | 84,349           | 54,790           |
|   |       | <u>92,244</u>    | <u>61,397</u>    | <u>84,349</u>    | <u>54,790</u>    |

The financial statements on pages 25 to 75 were approved by the Board and authorised for issue on 5th August 2020 and are signed on its behalf by:



R Docker  
Chair of the Board



C Martin  
Company Secretary



D Marriott-Lavery  
Director

Derwent Housing Association Limited  
 STATEMENT OF CHANGES IN RESERVES  
 for the year ended 31 March 2020

|  | GROUP         |                 |        | ASSOCIATION   |                 |        |
|--|---------------|-----------------|--------|---------------|-----------------|--------|
|  | Share capital | Revenue reserve | Total  | Share capital | Revenue reserve | Total  |
|  | £'000         | £'000           | £'000  | £'000         | £'000           | £'000  |
| <b>Balance as at 1 April 2019</b>              | -             | 61,397          | 61,397 | -             | 54,790          | 54,790 |
| Surplus for the year                           | -             | 30,847          | 30,847 | -             | 29,559          | 29,559 |
| <b>Total comprehensive income for the year</b> | -             | 30,847          | 30,847 | -             | 29,559          | 29,559 |
| <b>Balance as at 31 March 2020</b>             | -             | 92,244          | 92,244 | -             | 84,349          | 84,349 |

Derwent Housing Association Limited  
CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 31 March 2020

|   | <i>Notes</i> | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------|--------------------------------|--------------------------------|
| <b>OPERATING ACTIVITIES</b>                                       |              |                                |                                |
| Cash generated from operations                                    | 24a          | 37,845                         | 24,971                         |
| Income taxes paid   |              | (1,377)                        | (1,470)                        |
|   |              | <hr/>                          | <hr/>                          |
| <b>NET INCOME FROM OPERATING ACTIVITIES</b>                       |              | <b>36,468</b>                  | <b>23,501</b>                  |
|   |              | <hr/>                          | <hr/>                          |
| <b>INVESTING ACTIVITIES</b>                                       |              |                                |                                |
| Purchase of housing property and construction cost                |              | (24,969)                       | (17,789)                       |
| Purchase of other tangible fixed assets                           |              | (203)                          | (67)                           |
| Disposal of investment properties                                 |              | (1,019)                        | 243                            |
| Net proceeds on disposal of properties                            |              | 4,234                          | 4,066                          |
| Interest received   |              | 34                             | 38                             |
| Investment income received  |              | 1,319                          | 647                            |
|   |              | <hr/>                          | <hr/>                          |
| <b>NET CASH (USED IN)/GENERATED FROM INVESTING<br/>ACTIVITIES</b> |              | <b>(20,604)</b>                | <b>(12,862)</b>                |
|   |              | <hr/>                          | <hr/>                          |
| <b>FINANCING ACTIVITIES</b>                                       |              |                                |                                |
| Interest paid   |              | (16,995)                       | (16,526)                       |
| Proceeds of new borrowings  |              | 17,818                         | 22,500                         |
| Repayments of borrowings  |              | (19,304)                       | (14,275)                       |
|   |              | <hr/>                          | <hr/>                          |
| <b>NET CASH GENERATED/(USED IN) FINANCING ACTIVITIES</b>          |              | <b>(18,481)</b>                | <b>(8,301)</b>                 |
|   |              | <hr/>                          | <hr/>                          |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH<br/>EQUIVALENTS</b>   |              | <b>(2,617)</b>                 | <b>2,338</b>                   |
|   |              | <hr/>                          | <hr/>                          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>           |              | <b>8,421</b>                   | <b>6,083</b>                   |
|   |              | <hr/>                          | <hr/>                          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                 |              | <b>5,804</b>                   | <b>8,421</b>                   |
|   |              | <hr/>                          | <hr/>                          |

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **LEGAL STATUS**

Derwent Housing Association Limited is registered under the Co-Operative and Community Benefit Societies Act 2014. The address of the Association's registered office is 80 Cheapside, London, EC2V 6EE.

The Group's principal activities can be found within the Report of the Board section of the financial statements.

### **BASIS OF ACCOUNTING**

These statements have been prepared in accordance with applicable Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the Statement of Recommended Practice, "Accounting by Registered Social Landlords 2018" (SORP 2018), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of non-core freehold housing and fair value of derivatives.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

### **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate those of Derwent Housing Association Limited and all of its subsidiary undertakings for the year.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of the purchase price of a business combination and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Where the non-controlling interest of a consolidated subsidiary is purchased the fair value of the consideration paid is recognised directly in equity.

All group companies employ consistent accounting policies for the purposes of the consolidated financial statements.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **GOING CONCERN**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Places for People Group (Group) has reviewed all of its business forecasts and projections and has produced a revised 10-year business plan for the year ending 31 March 2021 this was approved by the Board in August 2020. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

The directors have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Derwent Housing Association is part of the Guarantor Group and can access funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the association.

The board, after reviewing the group budgets for 2020/21 and the group's medium term financial position as detailed in the business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Association has adequate resources to continue in business for the foreseeable future.

Consequently, the Directors are confident that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **TURNOVER**

Turnover comprises rental, service charge and management charge income receivable, revenue grants receivable from third parties, amortisation of capital grants, proceeds of first tranche shared ownership sales and facilities management fees.

Rental income on student properties are credited in the month to which they relate.

### **OTHER INCOME**

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

### **SERVICE CHARGES**

Service charges on rented properties are recognised in the financial statements when the weekly rent debit is raised. Service charges on shared ownership properties are credited monthly, but the amount recognised in the financial statements is adjusted to reflect either additional amounts to be collected or amounts to be repaid based on the costs incurred in the year.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Freehold land is not depreciated. During the transition to FRS 102, the option was exercised to revalue a section of the property portfolio to give a deemed cost figure instead of historic cost.

Costs of works to existing properties are capitalised where they result in an enhancement of economic benefits, for example, an increase in rental income, a reduction in future management costs or significant extension of life, and where components are replaced. Otherwise costs are charged to the Statement of Comprehensive Income.

During 2018/19, management revised its estimates of residual value of shared ownership housing properties from nil to cost. This change in estimate reduced depreciation by £0.2m in the current year.

Depreciation is provided on housing property held for letting at rates calculated to write off the cost of each asset component to its residual value over its useful economic life (UEL) on a straight line basis. The UELs applied are as follows:

| <b>Component</b>      | <b>Years</b> |
|-----------------------|--------------|
| Structure (up to)     | 125          |
| Kitchen               | 20           |
| Bathroom              | 30           |
| Roof                  | 60           |
| Windows               | 30           |
| Fixtures and fittings | 15-30        |

Depreciation is provided on shared ownership properties at rates calculated to write off the cost of each property to its estimated residual value over its UEL on a straight line basis. The UEL applied is as follows:

|            |               |
|------------|---------------|
| Properties | 100-125 years |
|------------|---------------|

Depreciation is charged on other tangible fixed assets at rates calculated to write down each asset to its estimated residual value evenly over its expected UEL. The following annual rates have been applied:

|   |                 |
|---|-----------------|
| Freehold offices  | 2% of cost      |
| Short leasehold properties                                      | Length of lease |
| Fixtures and fittings, computer equipment and computer software | 10-33% of cost  |
| Motor vehicles  | 20% of cost     |

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **INVESTMENT PROPERTIES**

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the Statement of Total Comprehensive Income.

### **INVESTMENTS**

#### **Fixed Asset Investments**

In the separate accounts of the Association, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the Statement of Comprehensive Income.

#### **Associates**

Undertakings in which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions but not control or joint control over those policies) are classified as associates. The Group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the Associate's management accounts to 31 March 2020.

All unrealised profit or losses on transactions with the associate are eliminated to the extent of the Group's interest, except where unrealised losses provide evidence of an impairment. Where necessary, adjustments are made to bring the accounting policies of the associate into line with those used by the Group.

#### **Jointly Controlled Entities**

Entities in which the Group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, as described in the accounting policy for associates above.

### **IMPAIRMENT OF FIXED ASSETS**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairment losses.

Recognised impairment losses are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income or, for revalued assets, as a revaluation gain in Other Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount less any residual value over its remaining useful economic life.

### **HOUSING PROPERTIES UNDER CONSTRUCTION**

Housing properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

Housing properties are transferred at cost to completed properties when they are ready for letting.

## Derwent Housing Association Limited

### ACCOUNTING POLICIES

for the year ended 31 March 2020

---

#### **SHARED OWNERSHIP AND TRY BEFORE YOU BUY**

Development of shared ownership housing properties is accounted for in fixed assets in the same manner as for general needs housing properties, except that costs relating to first tranche sales are recognised in current assets and only costs relating to the remaining tranches are capitalised as fixed assets under construction and transferred to shared ownership properties on completion.

Under shared ownership arrangements, the Association disposes of the long lease of shared ownership housing units to persons who occupy them, at a premium of between 25% and 75% of the value of the whole property. The occupier has the right to purchase at valuation further proportions up to 100%.

Upon sale, first tranche proceeds are included within turnover and related standard costs charged to operating costs. Disposals of the second and subsequent staircasing tranches are treated as fixed asset disposals in the normal manner, and the resultant profit is shown within Surplus On Sale Of Housing Properties.

Try Before You Buy properties are intended for the same customers as shared ownership properties, but the initial disposal is deferred to a future date. Where it becomes probable that no sale in Try Before You Buy properties will happen in the foreseeable future, the cost of the initial shares is transferred to fixed assets. At the point this decision is reversed, the net book value of such properties is transferred back to current assets.

Where the initial tranche sale is less than 50%, the amount remaining in current assets is transferred to fixed assets. Where the initial tranche sale is greater than 50%, the fixed asset balance is reduced accordingly.

#### **SOCIAL HOUSING GRANT**

Housing Association Grant (HAG) was a capital grant made to the Association prior to the 1996 Housing Act.

Social Housing Grant (SHG) is a similar capital grant made to the Association towards the cost of acquiring and/or building additional housing for rent or sale. Both SHG and HAG are referred to collectively as SHG or Social Housing Grant within the financial statements.

Under FRS 102 these grants are now classified as Deferred Social Housing Grant and recognised in turnover over the expected useful life of the asset to which they relate. When a property with grant is disposed of, grant previously amortised is written back as an expense in the disposal proceeds calculation.

## Derwent Housing Association Limited

### ACCOUNTING POLICIES

for the year ended 31 March 2020

---

#### **RECYCLED CAPITAL GRANT FUND**

Social Housing Grant which relates to housing properties sold outright or via staircasing arrangements is credited to the Recycled Capital Grant Fund in so far as it is not required to cover a loss arising on the sale. The net amount credited to the fund at the reporting date is shown separately within creditors.

The fund can be used to develop additional social housing, to allow shared ownership leaseholders to revert to assured tenants (reverse staircasing), or to fund certain adaptation and major repair costs. Transfers from the fund, equivalent to the SHG entitlement under existing grant arrangements, can be made to offset in part the costs incurred.

#### **PENSION COSTS**

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme. During the year, the Association recognised its individual share of the SHPS scheme deficit following an exercise carried out by independent actuaries to identify each member's share of the deficit. In previous years, the Association recognised a liability based on the present value of the agreed deficit reduction contributions. The change in the liability as a result of the change in estimate has been recognised in other comprehensive income as indicated in the amendments made to FRS 102 Section 28 'Employee Benefits'. The in-year movement in the scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses.

The Association is applying these amendments early as permitted by the standard.

The Association also pays contributions for members in the Social Housing Defined Contribution Scheme and the Group also participates in defined contribution pension schemes. Contributions to these schemes are charged to the Statement of Comprehensive Income in the period in which they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **DEVELOPMENT INTERESTS AND ADMINISTRATION COSTS**

Where a property is developed, interest is capitalised during the development period.

Development administration costs relating to development activity are capitalised only where the costs are directly related to bringing the properties into working condition for their intended use.

Direct asset management administration costs relating to component replacements are capitalised within additions.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **RESULTS OF MANAGING AGENTS**

The Association owns properties in respect of hostel schemes which are run by third-party agencies. Where the agencies carry the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association. Other income and expenditure of the hostels is excluded from the Statement of Comprehensive Income.

The Association monitors the agencies and maintains the properties for which it retains a portion of the revenue grants.

### **VALUE ADDED TAX**

The Group is VAT registered but a large proportion of its income is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. The consolidated financial statements include VAT to the extent that it is suffered by the Group and is not recoverable. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

### **ALLOCATION OF EXPENSES AND FINANCE COSTS**

As far as possible, expenses are allocated directly to the activity to which they relate. Other overheads are allocated in proportion to the split of head office salary costs.

Salary costs are allocated, by individual, to the activities in which each staff member is engaged. This apportionment is reached by discussion with staff and tested for reasonableness against transactional finance costs. In so far as they relate to new development activity, costs are charged to that activity. All other finance costs are charged as indirect overheads and apportioned in the manner set out above.

### **LEASES**

#### **Finance leases**

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **Operating leases**

All other leases are operating leases and the annual rentals are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

### **LEASE AND LEASEBACK TRANSACTIONS**

Where housing properties are purchased via a lease and leaseback transaction, such that the group has rights approximating to ownership, the housing properties are shown as fixed assets and the lease premium proceeds are recorded as a liability to the lessor. Rental payments to the lessor are treated as consisting of capital and interest elements and the interest is charged to the Statement of Comprehensive Income in proportion to the remaining balance outstanding.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **TAXATION**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **FINANCIAL INSTRUMENTS**

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Trade debtors**

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

#### **Bank overdrafts**

Bank overdrafts are presented within creditors: amounts falling due within one year.

#### **Trade investments**

Trade investments are equity investments over which the Association has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through the Statement of Comprehensive Income when transaction costs are expensed to the Statement of Comprehensive Income as incurred.

#### **Trade creditors**

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

#### **Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

# Derwent Housing Association Limited

## ACCOUNTING POLICIES

for the year ended 31 March 2020

---

### **Borrowings**

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

### **Derecognition of financial assets and liabilities**

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **SIGNIFICANT ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions 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 shown below.

The bad debt provision is estimated using historical knowledge of the individual and environment.

The discount rate used for the past deficit pension liability is that agreed with the Pension Trust, and is deemed appropriate for use in calculating the liability.

For shared ownership properties 50% of the cost is disclosed as a current asset until the first tranche sale is made. Management reviews this on a yearly basis and deems it to be appropriate at the year end.

In respect of the investment properties, in addition to judging whether or not properties are categorised as investment properties, the PfP Group is also required to estimate the fair value of the investment properties on an annual basis. To facilitate this estimation, the PfP Group engaged Savills, a leading professional adviser to use RICs guidance and the requirements of the Red Book to complete a full valuation of the Group's investment properties. The results of the valuation exercise have been subjected to management scrutiny and challenge.

### **Critical areas of judgement**

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee, or to the lessee, where the group is lessor.

Within the capitalised figure for properties, management allocate time spent by the development team and major repair team. Staff costs and other direct costs, which are incurred as a result of these programmes are capitalised.

An impairment review is undertaken in line with the accounting policy and no properties have been judged to require an impairment at the balance sheet date.

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

| GROUP  | Year to 31.03.2020 |                             |                               | Year to 31.03.2019 |                             |                               |
|--|--------------------|-----------------------------|-------------------------------|--------------------|-----------------------------|-------------------------------|
|  | Turnover<br>£'000  | Operating<br>costs<br>£'000 | Operating<br>surplus<br>£'000 | Turnover<br>£'000  | Operating<br>costs<br>£'000 | Operating<br>surplus<br>£'000 |
|  |                    |                             |                               |                    |                             | Restated                      |
| <b>SOCIAL HOUSING LETTINGS</b>                           |                    |                             |                               |                    |                             |                               |
| General needs housing                                    | 35,358             | (14,902)                    | 20,456                        | 34,710             | (15,884)                    | 18,826                        |
| Shared ownership<br>accommodation/ Try Before<br>You Buy | 2,706              | (2,536)                     | 170                           | 2,662              | (2,130)                     | 532                           |
| Keyworker accommodation                                  | 1,672              | (1,022)                     | 650                           | 1,570              | (878)                       | 692                           |
|  | <u>39,736</u>      | <u>(18,460)</u>             | <u>21,276</u>                 | <u>38,942</u>      | <u>(18,892)</u>             | <u>20,050</u>                 |
| <b>OTHER INCOME AND<br/>EXPENDITURE</b>                  |                    |                             |                               |                    |                             |                               |
| Social housing   | 670                | (282)                       | 388                           | 689                | (298)                       | 391                           |
| SHG amortisation   | 937                | -                           | 937                           | 901                | -                           | 901                           |
| Other  | 18                 | (312)                       | (294)                         | 68                 | (310)                       | (242)                         |
| First tranche sales                                      | 3,645              | (3,253)                     | 392                           | 254                | (212)                       | 42                            |
| Fair value gains on investment<br>properties             | -                  | -                           | 21,908                        | -                  | -                           | 14                            |
| Surplus on sale of housing<br>properties                 | -                  | -                           | 1,795                         | -                  | -                           | 2,472                         |
| Development costs  | -                  | (1,061)                     | (1,061)                       | -                  | (958)                       | (958)                         |
| Facilities management                                    | 16,802             | (16,315)                    | 487                           | 15,258             | (13,799)                    | 1,459                         |
|  | <u>61,808</u>      | <u>(39,683)</u>             | <u>45,828</u>                 | <u>56,112</u>      | <u>(34,469)</u>             | <u>24,129</u>                 |
| <b>NON SOCIAL HOUSING<br/>LETTINGS</b>                   |                    |                             |                               |                    |                             |                               |
| Market rental accommodation                              | 1,690              | (1,684)                     | 6                             | 1,858              | (1,728)                     | 130                           |
| Student accommodation                                    | 5,042              | (3,172)                     | 1,870                         | 4,957              | (2,771)                     | 2,186                         |
|  | <u>68,540</u>      | <u>(44,539)</u>             | <u>47,704</u>                 | <u>62,927</u>      | <u>(38,968)</u>             | <u>26,445</u>                 |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

1a) TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (continued)

| ASSOCIATION  | Year to 31.03.2020 |                             |                               | Year to 31.03.2019 |                             |                               |
|--|--------------------|-----------------------------|-------------------------------|--------------------|-----------------------------|-------------------------------|
|  | Turnover<br>£'000  | Operating<br>costs<br>£'000 | Operating<br>surplus<br>£'000 | Turnover<br>£'000  | Operating<br>costs<br>£'000 | Operating<br>surplus<br>£'000 |
| Restated   |                    |                             |                               |                    |                             |                               |
| <b>SOCIAL HOUSING LETTINGS</b>                           |                    |                             |                               |                    |                             |                               |
| General needs housing                                    | 35,004             | (14,811)                    | 20,193                        | 34,357             | (15,736)                    | 18,621                        |
| Shared ownership<br>accommodation/ Try Before<br>You Buy | 2,690              | (2,536)                     | 154                           | 2,646              | (2,110)                     | 536                           |
| Keyworker accommodation                                  | 1,672              | (1,022)                     | 650                           | 1,570              | (878)                       | 692                           |
|  | <u>39,366</u>      | <u>(18,369)</u>             | <u>20,997</u>                 | <u>38,573</u>      | <u>(18,724)</u>             | <u>19,849</u>                 |
| <b>OTHER INCOME AND<br/>EXPENDITURE</b>                  |                    |                             |                               |                    |                             |                               |
| Social housing   | 757                | (282)                       | 475                           | 688                | (298)                       | 390                           |
| SHG amortisation   | 921                | -                           | 921                           | 901                | -                           | 901                           |
| Other  | 18                 | (312)                       | (294)                         | 18                 | (281)                       | (263)                         |
| First tranche sales                                      | 3,645              | (3,252)                     | 393                           | 254                | (212)                       | 42                            |
| Fair value gains on investment<br>properties             | -                  | -                           | 21,908                        | -                  | -                           | 14                            |
| Surplus on sale of housing<br>properties                 | -                  | -                           | 1,795                         | -                  | -                           | 2,472                         |
| Development costs  | -                  | (1,061)                     | (1,061)                       | -                  | (958)                       | (958)                         |
| Facilities management                                    | 5,818              | (5,818)                     | -                             | 5,754              | (5,754)                     | -                             |
| Pension deficit payment charge                           | -                  | -                           | -                             | -                  | -                           | -                             |
|  | <u>50,525</u>      | <u>(29,094)</u>             | <u>45,134</u>                 | <u>46,188</u>      | <u>(26,227)</u>             | <u>22,447</u>                 |
| <b>NON SOCIAL HOUSING<br/>LETTINGS</b>                   |                    |                             |                               |                    |                             |                               |
| Market rental accommodation                              | 1,690              | (1,684)                     | 6                             | 1,858              | (1,728)                     | 130                           |
| Student accommodation                                    | 5,042              | (3,172)                     | 1,870                         | 4,957              | (2,771)                     | 2,186                         |
|  | <u>57,257</u>      | <u>(33,950)</u>             | <u>47,010</u>                 | <u>53,003</u>      | <u>(30,726)</u>             | <u>24,763</u>                 |

1b) SHARE OF OPERATING SURPLUS OF JOINT VENTURES - GROUP

|           | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|-----------|--------------------------------|--------------------------------|
| Eione LLP | 125                            | 151                            |
|           | <u>125</u>                     | <u>151</u>                     |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

2 INCOME AND EXPENDITURE FROM LETTINGS - SOCIAL HOUSING ONLY

| GROUP  | General<br>needs<br>housing<br>£'000 | Shared<br>Ownership<br>accomodat-<br>ion<br>£'000 | Keyworker<br>accomodat-<br>ion<br>£'000 | Total Year<br>to<br>31.03.2020<br>£'000 | Total Year<br>to<br>31.03.2019<br>£'000 |
|--|--------------------------------------|---|---|---|---|
| <b>GROSS INCOME FROM LETTINGS</b>                    |                                      |   |   |   |   |
| Rents receivable net of identifiable service charges | 32,966                               | 2,199   | 1,807                                   | 36,972                                  | 36,438                                  |
| Service charges receivable                           | 2,663                                | 560   | -                                       | 3,223                                   | 2,975                                   |
|  | <b>35,629</b>                        | <b>2,759</b>                                      | <b>1,807</b>                            | <b>40,195</b>                           | <b>39,413</b>                           |
| <b>GROSS RENTS RECEIVABLE</b>                        |                                      |   |   |   |   |
| Rent losses from voids                               | (271)                                | (53)  | (135)                                   | (459)                                   | (471)                                   |
|  | <b>35,358</b>                        | <b>2,706</b>                                      | <b>1,672</b>                            | <b>39,736</b>                           | <b>38,942</b>                           |
| <b>EXPENDITURE ON LETTING ACTIVITIES</b>             |                                      |   |   |   |   |
| Management and services                              | 4,917                                | 1,176   | 832                                     | 6,925                                   | 7,264                                   |
| Routine maintenance                                  | 4,800                                | 579   | 165                                     | 5,544                                   | 5,558                                   |
| Rent losses from bad debts                           | 85                                   | 147   | -                                       | 232                                     | 353                                     |
| Major repairs expenditure                            | 656                                  | -   | 25                                      | 681                                     | 833                                     |
| Depreciation and impairment of housing properties    | 4,444                                | 634   | -                                       | 5,078                                   | 4,884                                   |
|  | <b>14,902</b>                        | <b>2,536</b>                                      | <b>1,022</b>                            | <b>18,460</b>                           | <b>18,892</b>                           |
| <b>OPERATING SURPLUS ON LETTING ACTIVITIES</b>       |                                      |   |   |   |   |
|  | <b>20,456</b>                        | <b>170</b>  | <b>650</b>                              | <b>21,276</b>                           | <b>20,050</b>                           |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

2 INCOME AND EXPENDITURE FROM LETTINGS - SOCIAL HOUSING ONLY (continued)

| ASSOCIATION  | General<br>needs<br>housing<br>£'000 | Shared<br>Ownership<br>accomodat-<br>ion<br>£'000 | Keyworker<br>accomodat-<br>ion<br>£'000 | Total Year<br>to<br>31.03.2020<br>£'000 | Total Year<br>to<br>31.03.2019<br>£'000 |
|--|--------------------------------------|---|---|---|---|
| <b>GROSS INCOME FROM LETTINGS</b>                    |                                      |   |   |   |   |
| Rents receivable net of identifiable service charges | 32,616                               | 2,184   | 1,807                                   | 36,607                                  | 36,077                                  |
| Service charges receivable                           | 2,655                                | 559   | -                                       | 3,214                                   | 2,964                                   |
|  | <u>35,271</u>                        | <u>2,743</u>                                      | <u>1,807</u>                            | <u>39,821</u>                           | <u>39,041</u>                           |
| <b>GROSS RENTS RECEIVABLE</b>                        |                                      |   |   |   |   |
| Rent losses from voids                               | (267)                                | (53)  | (135)                                   | (455)                                   | (468)                                   |
|  | <u>35,004</u>                        | <u>2,690</u>                                      | <u>1,672</u>                            | <u>39,366</u>                           | <u>38,573</u>                           |
| <b>EXPENDITURE ON LETTING ACTIVITIES</b>             |                                      |   |   |   |   |
| Management and services                              | 4,916                                | 1,176   | 832                                     | 6,924                                   | 7,161                                   |
| Routine maintenance                                  | 4,771                                | 579   | 165                                     | 5,515                                   | 5,555                                   |
| Rent losses from bad debts                           | 82                                   | 147   | -                                       | 229                                     | 349                                     |
| Major repairs expenditure                            | 656                                  | -   | 25                                      | 681                                     | 833                                     |
| Depreciation and impairment of housing properties    | 4,386                                | 634   | -                                       | 5,020                                   | 4,826                                   |
|  | <u>14,811</u>                        | <u>2,536</u>                                      | <u>1,022</u>                            | <u>18,369</u>                           | <u>18,724</u>                           |
| <b>TOTAL EXPENDITURE ON LETTINGS</b>                 |                                      |   |   |   |   |
|  | <u>20,193</u>                        | <u>154</u>  | <u>650</u>                              | <u>20,997</u>                           | <u>19,849</u>                           |
| <b>OPERATING SURPLUS ON LETTING ACTIVITIES</b>       |                                      |   |   |   |   |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

3 SURPLUS ON SALE OF  
 HOUSING PROPERTIES

| GROUP                 | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|-----------------------|--------------------------------|--------------------------------|
| Net proceeds of sales | 4,795                          | 5,365                          |
| Cost of sales         | (3,000)                        | (2,893)                        |
|                       | <u>1,795</u>                   | <u>2,472</u>                   |
|                       | <u><u>1,795</u></u>            | <u><u>2,472</u></u>            |
| <br>                  |                                |                                |
| ASSOCIATION           | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
| Net proceeds of sales | 4,795                          | 5,365                          |
| Cost of sales         | (3,000)                        | (2,893)                        |
|                       | <u>1,795</u>                   | <u>2,472</u>                   |
|                       | <u><u>1,795</u></u>            | <u><u>2,472</u></u>            |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

3 DIRECTORS' EMOLUMENTS

ASSOCIATION

The directors are defined as the members of the Board and the Chief Executive.

|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| The aggregate emoluments paid to or receivable by the executive director (2019: one executive director) including pension contributions | 294                            | 179                            |

During the period ex-gratia payments totalling £79,089 (2019: £44,331) were paid to directors for compensation of loss of office.

The Association made £12,258 (2019: £6,591) of pension contributions into the Social Housing Pension Scheme in relation to the Chief Executive, who is also the highest paid director. The Chief Executive is an ordinary member of the Scheme and no enhanced or special terms apply.

|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| The remuneration paid to the highest paid director of the Association excluding pension contributions | 282                            | 172                            |
| Aggregate amount of directors' pension contributions  | 12                             | 7                              |
| Number of directors receiving pension contributions   | 1                              | 1                              |

The total cost of key management personnel, defined as the Board and executive directors including remuneration, pension contributions and employers national insurance contributions was £343,500 (2019: £235,920).

Remuneration to board members was £22,885 (2019: £30,467). Total expenses reimbursed to Board members not charged to United Kingdom income tax amounted to £1,805 (2019: £2,690).

Professional indemnity insurance for the Group's directors and officers is covered by the Places for People Group policy, no premium was charged to Derwent for this in the year (2019: £8,656).

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

5 EMPLOYEE INFORMATION

|  | Year to<br>31.03.2020<br>Group<br>No. | Year to<br>31.03.2020<br>Association<br>No. | Year to<br>31.03.2019<br>Group<br>No. | Year to<br>31.03.2019<br>Association<br>No. |
|--|---------------------------------------|---|---------------------------------------|---|
| <b>GROUP AND ASSOCIATION</b>   |                                       |   |                                       |   |
| The average monthly number of persons (including directors) employed during this year was: |                                       |   |                                       |   |
| Office staff   | 103                                   | 84  | 113                                   | 88  |
| Wardens, caretakers and cleaners   | 211                                   | 23  | 187                                   | 19  |
| Maintenance  | 18                                    | 18  | 17                                    | 17  |
|  | <u>332</u>                            | <u>125</u>                                  | <u>317</u>                            | <u>124</u>                                  |

Average monthly employee numbers are calculated using a full-time equivalent of 37 hours per week and applying a daily pro rata percentage for starters and leavers in the year.

| Staff costs (for the above persons) | Year to<br>31.03.2020<br>Group<br>£'000 | Year to<br>31.03.2020<br>Association<br>£'000 | Year to<br>31.03.2019<br>Group<br>£'000 | Year to<br>31.03.2019<br>Association<br>£'000 |
|-------------------------------------|---|---|---|---|
| Wages and salaries                  | 8,745                                   | 3,958   | 9,204                                   | 3,935   |
| Social security costs               | 759                                     | 352   | 804                                     | 359   |
| Other pension costs                 | 361                                     | 204   | 366                                     | 202   |
|                                     | <u>9,865</u>                            | <u>4,514</u>                                  | <u>10,374</u>                           | <u>4,496</u>                                  |

| Salary bandings      | Year to<br>31.03.2020<br>Group<br>No. | Year to<br>31.03.2020<br>Association<br>No. | Year to<br>31.03.2019<br>Group<br>No. | Year to<br>31.03.2019<br>Association<br>No. |
|----------------------|---------------------------------------|---|---------------------------------------|---|
| £60,000 - £69,999    | 4                                     | 1   | 7                                     | 4   |
| £70,000 - £79,999    | 5                                     | 4   | 2                                     | 1   |
| £80,000 - £89,999    | 2                                     | 1   | -                                     | -   |
| £90,000 - £99,999    | -                                     | -   | 1                                     | -   |
| £100,000 - £109,999  | -                                     | -   | 1                                     | 1   |
| £110,000 - £119,999  | 1                                     | -   | -                                     | -   |
| £170,000 - £179,999  | -                                     | -   | 1                                     | 1   |
| £290,000 - £2999,999 | 2                                     | 1   | -                                     | -   |
|                      | <u>14</u>                             | <u>7</u>                                    | <u>13</u>                             | <u>8</u>                                    |

Included in the above bandings are gross wages, pensions and ex-gratia payments. Where a role has been undertaken by two or more people due to staff changes, their average salary has been counted as one. Values have been adjusted to reflect a 12 month period. Directors have been excluded.

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

|     |   |               |               |               |               |
|-----|---|---------------|---------------|---------------|---------------|
| 6a) | INVESTMENT INCOME RECEIVABLE                                |               |               |               |               |
|     |   |               | Year to       | Year to       |               |
|     |   |               | 31.03.2020    | 31.03.2019    |               |
|     |   |               | £'000         | £'000         |               |
|     | GROUP   |               |               |               |               |
|     | Investment income   |               | 1,123         | 622           |               |
|     |   |               | <u>1,123</u>  | <u>622</u>    |               |
|     | ASSOCIATION   |               |               |               |               |
|     | Investment income   |               | -             | -             |               |
|     |   |               | <u>-</u>      | <u>-</u>      |               |
| 6b) | INTEREST RECEIVABLE   |               |               |               |               |
|     |   |               | Year to       | Year to       |               |
|     |   |               | 31.03.2020    | 31.03.2019    |               |
|     |   |               | £'000         | £'000         |               |
|     | GROUP   |               |               |               |               |
|     | Interest receivable from bank and building society deposits |               | 34            | 21            |               |
|     | Other interest receivable                                   |               | -             | 17            |               |
|     |   |               | <u>34</u>     | <u>38</u>     |               |
|     | ASSOCIATION   |               |               |               |               |
|     | Interest receivable from bank and building society deposits |               | 14            | 11            |               |
|     | Interest receivable from group companies                    |               | 335           | 290           |               |
|     | Other interest receivable                                   |               | -             | 17            |               |
|     |   |               | <u>349</u>    | <u>318</u>    |               |
| 7   | INTEREST PAYABLE AND SIMILAR CHARGES                        |               |               |               |               |
|     |   | Group         |               | Association   |               |
|     |   | Year to       | Year to       | Year to       | Year to       |
|     |   | 31.03.2020    | 31.03.2019    | 31.03.2020    | 31.03.2019    |
|     |   | £'000         | £'000         | £'000         | £'000         |
|     | On bank loans   | 8,593         | 9,109         | 8,559         | 9,081         |
|     | On Aviva sale and leaseback agreements                      | 3,652         | 3,621         | 3,652         | 3,621         |
|     | Other loans   | 466           | 471           | 466           | 471           |
|     | Unwinding of discount on pension deficit liability          | 114           | -             | 114           | -             |
|     | Other loans from group companies                            | 4,684         | 3,971         | 4,684         | 3,971         |
|     |   | <u>17,509</u> | <u>17,172</u> | <u>17,475</u> | <u>17,144</u> |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

8) SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND INVESTMENT INCOME

|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| <b>GROUP</b>                                      |                                |                                |
| This is arrived at after charging;                |                                |                                |
| Lease rentals - land and buildings                | 1,969                          | 1,957                          |
| Lease rentals - plant and machinery               | 16                             | 17                             |
| Depreciation and impairment of housing properties | 5,082                          | 4,887                          |
| Depreciation of other fixed assets                | 215                            | 244                            |
| Auditor's remuneration (excluding VAT)            |                                |                                |
| - in its capacity as auditor                      | 74                             | 104                            |
| - other   | 38                             | 38                             |
|   | <u><u>          </u></u>       | <u><u>          </u></u>       |
| <b>ASSOCIATION</b>                                |                                |                                |
|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
| This is arrived at after charging;                |                                |                                |
| Lease rentals - land and buildings                | 1,864                          | 1,864                          |
| Lease rentals - plant and machinery               | 16                             | 17                             |
| Depreciation and impairment of housing properties | 5,023                          | 4,829                          |
| Depreciation of other fixed assets                | 185                            | 219                            |
| Auditor's remuneration (excluding VAT)            |                                |                                |
| - in its capacity as auditor                      | 50                             | 80                             |
| - other   | 38                             | 38                             |
|   | <u><u>          </u></u>       | <u><u>          </u></u>       |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

9 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES

|  | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|--|--------------------------------|--------------------------------|
| GROUP  |                                |                                |
| United Kingdom corporation tax               |                                |                                |
| Current tax                                  | 1,027                          | 1,054                          |
| Prior period tax charge                      | (61)                           | (290)                          |
|  | <hr/>                          | <hr/>                          |
| Total corporation tax charge                 | 966                            | 764                            |
| Deferred taxation charge                     | 708                            | 311                            |
| Prior period tax charge                      | 75                             | (339)                          |
| Effect of tax rate change on opening balance | (44)                           | -                              |
|  | <hr/>                          | <hr/>                          |
| Total deferred tax charge                    | 739                            | (28)                           |
|  | <hr/>                          | <hr/>                          |
| Total tax charge                             | 1,705                          | 736                            |
|  | <hr/> <hr/>                    | <hr/> <hr/>                    |

Factors affecting current tax position for the year:

The tax assessed for the year is different than the standard rate of corporation tax in the UK 19% (2019: 19%).  
 The differences are explained below:

|  |             |             |
|--|-------------|-------------|
| Surplus on ordinary activities before tax                | 31,477      | 10,084      |
|  | <hr/>       | <hr/>       |
| Tax on surplus on ordinary activities at 19% (2018: 19%) | 5,981       | 1,916       |
| Expenses not deductible/income not taxable               | (4,413)     | (685)       |
| Fixed asset differences                                  | 476         |             |
| Adjustments to brought forward values                    | (719)       |             |
| Amounts (charged)/ credited directly to SOCI             | 349         | 144         |
| Adjustments to tax charge in respect of previous periods |             | 27          |
| Prior period adjustment                                  | 15          | (629)       |
| Chargeable gains or losses                               | 60          |             |
| Deferred tax rate adjustment                             | (44)        | 52          |
| Deferred tax not provided                                |             | (89)        |
|  | <hr/>       | <hr/>       |
|  | 1,705       | 736         |
|  | <hr/> <hr/> | <hr/> <hr/> |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

9 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES (continued)

|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| ASSOCIATION   |                                |                                |
| United Kingdom corporation tax  |                                |                                |
| Current tax   | 692                            | 619                            |
| Prior period tax charge   | (61)                           | -                              |
|   | <u>631</u>                     | <u>619</u>                     |
| Total corporation tax charge  | 631                            | 619                            |
| Deferred taxation charge  | 731                            | 328                            |
| Prior period tax charge   | 75                             | (345)                          |
| Effect of tax rate change on opening balance  | (37)                           | -                              |
|   | <u>769</u>                     | <u>(17)</u>                    |
| Total deferred tax charge   | 769                            | (17)                           |
|   | <u>1,400</u>                   | <u>602</u>                     |
| Total tax charge  | 1,400                          | 602                            |
| Factors affecting current tax position for the year:  |                                |                                |
| The tax assessed for the year is different than the standard rate of corporation tax in the UK 19% (2019: 19%).<br>The differences are explained below: |                                |                                |
| Surplus on ordinary activities before tax   | 29,884                         | 7,937                          |
|   | <u>29,884</u>                  | <u>7,937</u>                   |
| Tax on surplus on ordinary activities at 19% (2019: 19%)  | 5,678                          | 1,508                          |
| Expenses not deductible/income not taxable  | (4,397)                        | (667)                          |
| Fixed asset differences   | 477                            | -                              |
| Chargeable gains / (losses)   | 60                             | -                              |
| Adjustments to brought forward values   | (744)                          | -                              |
| Amounts (charged)/credited directly to SOCI   | 350                            | 144                            |
| Prior period adjustment   | 13                             | (345)                          |
| Deferred tax rate adjustment  | (37)                           | (38)                           |
|   | <u>1,400</u>                   | <u>602</u>                     |
|   | <u>1,400</u>                   | <u>602</u>                     |

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

10 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

| GROUP                              | Housing properties held for letting<br>£'000 | Try Before You Buy/<br>shared ownership properties<br>£'000 | Housing properties under construction<br>£'000 | Shared ownership properties under construction<br>£'000 | Total<br>£'000 |
|------------------------------------|--|---|--|---|----------------|
| <b>COST</b>                        |  |   |  |   |                |
| 1 April 2019                       | 514,370                                      | 49,513  | 7,151  | 1,008   | 572,042        |
| Additions                          | -  | -   | 19,698   | 5,271   | 24,969         |
| Disposals of properties            | (679)  | (1,760)   | -  | -   | (2,439)        |
| Disposals of components            | (960)  | -   | -  | -   | (960)          |
| Transfers between property classes | 20,999                                       | 5,557   | (21,007)                                       | (5,549)   | -              |
| Change of classification           | 2,381  | 110   | 32   | 105   | 2,628          |
| 31 March 2020                      | <u>536,111</u>                               | <u>53,420</u>   | <u>5,874</u>                                   | <u>835</u>  | <u>596,240</u> |
| <b>DEPRECIATION AND IMPAIRMENT</b> |  |   |  |   |                |
| 1 April 2019                       | 55,429                                       | 2,441   | -  | -   | 57,870         |
| Charged in the year                | 5,080  | 2   | -  | -   | 5,082          |
| On disposals                       | 482  | (97)  | -  | -   | 385            |
| Disposals of components            | (960)  | -   | -  | -   | (960)          |
| Change of classification           | 10   | (10)  | -  | -   | -              |
| 31 March 2020                      | <u>60,041</u>                                | <u>2,336</u>  | <u>-</u>                                       | <u>-</u>  | <u>62,377</u>  |
| <b>Carrying amount:</b>            |  |   |  |   |                |
| 31 March 2020                      | <u>476,070</u>                               | <u>51,084</u>   | <u>5,874</u>                                   | <u>835</u>  | <u>533,863</u> |
| 1 April 2019                       | <u>458,941</u>                               | <u>47,072</u>   | <u>7,151</u>                                   | <u>1,008</u>  | <u>514,172</u> |

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

10 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

| ASSOCIATION                        | Housing properties held for letting<br>£'000 | Try Before You Buy/<br>shared ownership properties<br>£'000 | Housing properties under construction<br>£'000 | Shared ownership properties under construction<br>£'000 | Total<br>£'000 |
|------------------------------------|--|---|--|---|----------------|
| <b>COST</b>                        |  |   |  |   |                |
| 1 April 2019                       | 506,572                                      | 49,208  | 4,051  | 1,008   | 560,839        |
| Additions                          | -  | -   | 19,425   | 5,278   | 24,703         |
| Disposals of properties            | (679)  | (1,760)   | -  | -   | (2,439)        |
| Disposals of components            | (960)  | -   | -  | -   | (960)          |
| Transfers between property classes | 17,622                                       | 5,564   | (17,630)                                       | (5,556)   | -              |
| Change of classification           | 2,381  | 110   | 32   | 105   | 2,628          |
| 31 March 2020                      | <u>524,936</u>                               | <u>53,122</u>   | <u>5,878</u>                                   | <u>835</u>  | <u>584,771</u> |
| <b>DEPRECIATION AND IMPAIRMENT</b> |  |   |  |   |                |
| 1 April 2019                       | 55,287                                       | 2,439   | -  | -   | 57,726         |
| Charged in the year                | 5,021  | 2   | -  | -   | 5,023          |
| On disposals                       | 482  | (97)  | -  | -   | 385            |
| Disposals of components            | (960)  | -   | -  | -   | (960)          |
| Change of classification           | 10   | (10)  | -  | -   | -              |
| 31 March 2020                      | <u>59,840</u>                                | <u>2,334</u>  | <u>-</u>                                       | <u>-</u>  | <u>62,174</u>  |
| <b>Carrying amount:</b>            |  |   |  |   |                |
| 31 March 2020                      | <u>465,096</u>                               | <u>50,788</u>   | <u>5,878</u>                                   | <u>835</u>  | <u>522,597</u> |
| 1 April 2019                       | <u>451,285</u>                               | <u>46,769</u>   | <u>4,051</u>                                   | <u>1,008</u>  | <u>503,113</u> |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

10 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

| GROUP  | 31.03.2020     | 31.03.2019     |
|--|----------------|----------------|
| The cost of housing properties including those under construction comprises: | £'000          | £'000          |
| Freehold   | 564,628        | 540,183        |
| Long leasehold   | 31,388         | 31,637         |
| Short leasehold  | 223            | 222            |
|  | <u>596,240</u> | <u>572,042</u> |
| <br>   |                |                |
| ASSOCIATION  | 31.03.2020     | 31.03.2019     |
| The cost of housing properties including those under construction comprises: | £'000          | £'000          |
| Freehold   | 553,244        | 529,065        |
| Long leasehold   | 31,303         | 31,552         |
| Short leasehold  | 223            | 222            |
|  | <u>584,771</u> | <u>560,839</u> |

Additions to housing properties in the course of construction during the year include an apportionment of staff time directly spent on the administration of development activities amounting to £0.4m, (2019: £0.4m).

Expenditure on major works to existing properties during the year was £3.7m (2019: £4.7m).

| SOCIAL HOUSING GRANT                  | GROUP          |                | ASSOCIATION    |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 31.03.2020     | 31.03.2019     | 31.03.2020     | 31.03.2019     |
|                                       | £'000          | £'000          | £'000          | £'000          |
| Held as deferred Social Housing Grant | 105,760        | 105,958        | 102,628        | 102,923        |
| Released to Revenue Reserves          | 39,126         | 38,189         | 39,075         | 38,154         |
|                                       | <u>144,886</u> | <u>144,147</u> | <u>141,703</u> | <u>141,077</u> |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

11 INVESTMENT PROPERTIES

| GROUP         | Completed<br>Properties<br>£'000 | Land banks<br>£'000 | Total<br>£'000 |
|---------------|----------------------------------|---------------------|----------------|
| VALUATION     |                                  |                     |                |
| 1 April 2019  | 48,140                           | 624                 | 48,764         |
| Additions     | 1,019                            | -                   | 1,019          |
| Revaluation   | 21,908                           | -                   | 21,908         |
| Disposals     | -                                | -                   | -              |
|               | 71,067                           | 624                 | 71,691         |
| 31 March 2020 |                                  |                     |                |
|               |                                  |                     |                |
| ASSOCIATION   | Completed<br>Properties<br>£'000 | Land banks<br>£'000 | Total<br>£'000 |
| VALUATION     |                                  |                     |                |
| 1 April 2019  | 48,140                           | 624                 | 48,764         |
| Additions     | 1,019                            | -                   | 1,019          |
| Revaluation   | 21,908                           | -                   | 21,908         |
| Disposals     | -                                | -                   | -              |
|               | 71,067                           | 624                 | 71,691         |
| 31 March 2020 |                                  |                     |                |

For the year ended 31 March 2020, the Group has obtained an independent valuation of the investment property portfolio. This was performed in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (a "red book" valuation). The valuation was undertaken by Savills, who are independent, RICS qualified, have a strong professional reputation with and considerable experience in producing red book valuations.

A discounted cash flow method was used to estimate the fair value of the portfolio. This used up-to-date information on net operating cash flows and applied an appropriate yield to this data based on an understanding of the market and the individual circumstances of each part of the portfolio. Comparisons have also been made with similar properties in recent transactions to give additional comfort around valuations. Where applicable, an assessment is made on a similar basis for any related commercial income in respect of these properties. Management interrogation and challenge has been applied to both the valuation methods and the assumptions used, including in respect of cash flows, CPI and HPI as appropriate. The valuation was performed as at 31 December 2019. Management has considered the roll forward of the valuation to year end and have carried out an impairment review.

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

12 OTHER TANGIBLE FIXED ASSETS

| GROUP                           | Land<br>£'000 | Freehold<br>offices<br>£'000 | Fixtures<br>and<br>equipment<br>£'000 | Computer<br>equipment<br>and<br>software<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|---------------|------------------------------|---------------------------------------|---|----------------------------|----------------|
| <b>COST</b>                     |               |                              |                                       |   |                            |                |
| 1 April 2019                    | -             | 3,162                        | 349                                   | 1,579   | 20                         | 5,110          |
| Additions                       | -             | 46                           | 55                                    | 127   | -                          | 228            |
| Change of classification        | -             | -                            | -                                     | -   | -                          | -              |
| Disposals                       | -             | -                            | (16)                                  | -   | (10)                       | (26)           |
| 31 March 2020                   | -             | 3,208                        | 388                                   | 1,706   | 10                         | 5,312          |
| <b>ACCUMULATED DEPRECIATION</b> |               |                              |                                       |   |                            |                |
| 1 April 2019                    | -             | 779                          | 206                                   | 1,144   | 20                         | 2,149          |
| Charged in the year             | -             | 28                           | 19                                    | 168   | -                          | 215            |
| Change of classification        | -             | -                            | -                                     | -   | -                          | -              |
| Eliminated on disposals         | -             | -                            | -                                     | -   | (10)                       | (10)           |
| 31 March 2020                   | -             | 807                          | 225                                   | 1,312   | 10                         | 2,354          |
| <b>Carrying amount:</b>         |               |                              |                                       |   |                            |                |
| 31 March 2020                   | -             | 2,401                        | 163                                   | 394   | -                          | 2,958          |
| 1 April 2019                    | -             | 2,383                        | 143                                   | 435   | -                          | 2,961          |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

12 OTHER TANGIBLE FIXED ASSETS (continued)

| ASSOCIATION                     | Land<br>£'000 | Freehold<br>offices<br>£'000 | Fixtures<br>and<br>equipment<br>£'000 | Computer<br>equipment<br>and<br>software<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|---------------|------------------------------|---------------------------------------|---|----------------------------|----------------|
| <b>COST</b>                     |               |                              |                                       |   |                            |                |
| 1 April 2019                    | -             | 3,162                        | 217                                   | 1,023   | 20                         | 4,422          |
| Additions                       | -             | 46                           | 55                                    | 102   | -                          | 203            |
| Change of classification        | -             | -                            | -                                     | -   | -                          | -              |
| Disposals                       | -             | -                            | (16)                                  | -   | (10)                       | (26)           |
| 31 March 2020                   | -             | 3,208                        | 256                                   | 1,125   | 10                         | 4,599          |
| <b>ACCUMULATED DEPRECIATION</b> |               |                              |                                       |   |                            |                |
| 1 April 2019                    | -             | 779                          | 73                                    | 654   | 20                         | 1,526          |
| Charged in the year             | -             | 28                           | 19                                    | 138   | -                          | 185            |
| Change of classification        | -             | -                            | -                                     | -   | -                          | -              |
| Eliminated on disposals         | -             | -                            | -                                     | -   | (10)                       | (10)           |
| 31 March 2020                   | -             | 807                          | 92                                    | 792   | 10                         | 1,701          |
| <b>Carrying amount:</b>         |               |                              |                                       |   |                            |                |
| 31 March 2020                   | -             | 2,401                        | 164                                   | 333   | -                          | 2,898          |
| 1 April 2019                    | -             | 2,383                        | 144                                   | 369   | -                          | 2,896          |

# Derwent Housing Association Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

---

### 13 JOINT VENTURES

| GROUP  | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|--|---------------------|---------------------|
| SHARE OF GROSS ASSETS IN JOINT VENTURES      |                     |                     |
| Eione LLP                                    | 403                 | 370                 |
|  | <u>403</u>          | <u>370</u>          |
| SHARE OF GROSS LIABILITIES IN JOINT VENTURES |                     |                     |
| Eione LLP                                    | 403                 | 370                 |
|  | <u>403</u>          | <u>370</u>          |

Derwent Facilities Management has joint control of Eione LLP, a student property management company.

This joint venture entity is established in the United Kingdom.

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

14 FIXED ASSET INVESTMENTS

| GROUP   | Shares in<br>trade<br>investments<br>£'000 | Loans<br>£'000      | Total<br>£'000      |
|---|--|---------------------|---------------------|
| COST  |  |                     |                     |
| 1 April 2019  | 13   | 7,904               | 7,917               |
| Investment  | -  | 1,546               | 1,546               |
| Disposals   |  | (5)                 | (5)                 |
| 31 March 2020   | 13   | 9,445               | 9,458               |
|   |  | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Represented by:   |  |                     |                     |
| Loan investment in Uliving@Essex Holdco (Phase 2)         |  | 670                 | 673                 |
| Trade equity investment in Uliving@Essex Holdco (Phase 2) |  | 5                   | 5                   |
| Trade equity investment in Uliving@Hertfordshire Holdco   |  | 6                   | 8                   |
| Investment in Eione LLP (£40)                             |  | -                   | -                   |
| Loan investment in Uliving@Hertfordshire Holdco           |  | 7,744               | 6,198               |
| Shares in Uliving@Gloucestershire Holdco (£5)             |  | -                   | -                   |
| Loan investment in Uliving@Gloucestershire Holdco         |  | 1,033               | 1,033               |
|   |  | 9,458               | 7,917               |

The historical cost of investment at 31 March 2020 was £9,458,000 (31 March 2019: £7,917,000).

# Derwent Housing Association Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

### 15 SUBSIDIARY UNDERTAKINGS

| ASSOCIATION  | 31.03.2020  | 31.03.2019  |
|--|-------------|-------------|
|  | £'000       | £'000       |
| Represented by at cost:                            |             |             |
| Centro Place Investments Limited                   | 5,000       | 5,000       |
| Derwent Partnership Limited (£2)                   | -           | -           |
| Centro Place Management Limited                    | 85          | 85          |
| Derwent Community Housing Association Limited (£2) | -           | -           |
|  | <hr/>       | <hr/>       |
| 31 March 2020                                      | 5,085       | 5,085       |
|  | <hr/> <hr/> | <hr/> <hr/> |

At 31 March 2020 the Association had shareholdings, directly unless stated otherwise, in the following subsidiaries which are incorporated in England and Wales:

|   | % held | Activity                              |
|---|--------|---------------------------------------|
| Centro Place Investments Limited              | 100    | Investment company                    |
| Centro Place Management Limited               | 100    | Property management                   |
| Derwent Facilities Management Limited*        | 100    | Facilities management                 |
| Derwent Community Housing Association Limited | 100    | Registered provider of social housing |

\* Held by Centro Place Investments Limited

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

16 PROPERTIES HELD FOR SALE

|                                       | GROUP               |                     | ASSOCIATION         |                     |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                       | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Shared ownership completed properties | 2,246               | 4,849               | 2,246               | 4,849               |
| Shared ownership under construction   | 501                 | 1,008               | 501                 | 1,008               |
|                                       | <u>2,747</u>        | <u>5,857</u>        | <u>2,747</u>        | <u>5,857</u>        |

17 DEBTORS

|                                     | GROUP               |                     | ASSOCIATION         |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Arrears of rent and service charges | 2,899               | 3,170               | 2,899               | 3,170               |
| Provision for bad debts             | (1,415)             | (1,255)             | (1,415)             | (1,255)             |
|                                     | <u>1,484</u>        | <u>1,915</u>        | <u>1,484</u>        | <u>1,915</u>        |
| Trade debtors                       | 4,355               | 4,447               | -                   | -                   |
| Amounts due from parent company     | 1,119               | 2,703               | 905                 | 2,703               |
| Amounts due from subsidiaries       | -                   | -                   | 11,296              | 10,113              |
| Amounts due from joint venture      | 236                 | 303                 | -                   | -                   |
|                                     | <u>7,194</u>        | <u>9,368</u>        | <u>13,685</u>       | <u>14,731</u>       |
| Prepayments and accrued income      | 2,369               | 1,880               | 1,579               | 1,577               |
| Corporation tax                     | -                   | 490                 | -                   | 276                 |
| Deferred tax (note 20)              | 81                  | 443                 | -                   | 392                 |
|                                     | <u>9,644</u>        | <u>12,181</u>       | <u>15,264</u>       | <u>16,976</u>       |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

18 CREDITORS: Amounts falling due within one year

|   | GROUP         |               | ASSOCIATION   |               |
|---|---------------|---------------|---------------|---------------|
|   | 31.03.2020    | 31.03.2019    | 31.03.2020    | 31.03.2019    |
|   | £'000         | £'000         | £'000         | £'000         |
| Housing loans (note 19b)                | 11,530        | 4,354         | 11,530        | 4,314         |
| Trade creditors                         | 5,085         | 4,175         | 4,564         | 3,763         |
| Amounts owed to group companies         | 2             | 1,070         | 2             | 1,070         |
| Amounts owed to subsidiary undertakings | -             | -             | 1,919         | 1,309         |
| Amounts owed to joint venture           | 16            | 52            | -             | -             |
| Rent received in advance                | 3,626         | 3,775         | 3,626         | 3,775         |
| Corporation tax                         | 471           | -             | 293           | -             |
| Deferred taxation                       | 377           | -             | 377           | -             |
| Taxation and social security costs      | 429           | 259           | 123           | 114           |
| Accruals and deferred income            | 15,135        | 15,171        | 12,398        | 11,725        |
| Pension contributions                   | 83            | 81            | 83            | 81            |
| Pension deficit (note 19d)              | -             | -             | -             | -             |
| Deferred Social Housing Grant           | 939           | 939           | 923           | 923           |
|   | <u>37,693</u> | <u>29,876</u> | <u>35,838</u> | <u>27,074</u> |

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

19a) CREDITORS: Amounts falling due after more than one year

|   | GROUP               |                     | ASSOCIATION         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Housing loans (note 19b)                    | 170,505             | 182,859             | 170,505             | 182,035             |
| Amounts owed to related undertakings        | 157,868             | 147,000             | 157,868             | 147,000             |
| Obligations under finance leases (note 19c) | 68,383              | 68,383              | 68,383              | 68,383              |
| Recycled capital grant fund                 | 1,718               | 1,161               | 1,718               | 1,161               |
| Disposal proceed fund                       | -                   | -                   | -                   | -                   |
| Pension deficit (note 19d)                  | 3,103               | 4,712               | 3,103               | 4,712               |
| Deferred Social Housing Grant               | 104,821             | 105,019             | 101,705             | 102,000             |
|   | <u>506,398</u>      | <u>509,134</u>      | <u>503,282</u>      | <u>505,291</u>      |

19b) HOUSING LOANS

|   | GROUP               |                     | ASSOCIATION         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Housing loans are due for repayment as follows: |                     |                     |                     |                     |
| In one year or less                             | 11,530              | 4,354               | 11,530              | 4,314               |
| Between one and two years                       | 5,920               | 11,572              | 5,920               | 11,530              |
| Between two and five years                      | 21,324              | 15,587              | 21,324              | 15,453              |
| In five years or more                           | 143,261             | 155,700             | 143,261             | 155,052             |
|   | <u>182,035</u>      | <u>187,213</u>      | <u>182,035</u>      | <u>186,349</u>      |
| Less amounts falling due in less than 1 year    | <u>(11,530)</u>     | <u>(4,354)</u>      | <u>(11,530)</u>     | <u>(4,314)</u>      |
| Amount falling due in more than one year        | <u>170,505</u>      | <u>182,859</u>      | <u>170,505</u>      | <u>182,035</u>      |

All housing loans are secured by specific charges on the Group's housing properties. These are repayable at varying rates of interest between 1.09% and 6.99% except for £4.4m with Orchardbrook which has an interest rate of 11.95%.

Of the total £182m (2019: £187m) housing loans, £37m (2019: £37m) is due wholly after 5 years. The remainder have amounts due in less than 5 years or after 5 years on an instalment basis.

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

---

19c) OBLIGATIONS UNDER FINANCE LEASES AND SALE AND LEASEBACK AGREEMENTS

|  | 31.03.2020    | 31.03.2019    |
|--|---------------|---------------|
| GROUP  | £'000         | £'000         |
| Wholly repayable in more than 5 years (note 19a) | 68,383        | 68,383        |
|  | <u>68,383</u> | <u>68,383</u> |
| ASSOCIATION                                      |               |               |
| Wholly repayable in more than 5 years (note 19a) | 68,383        | 68,383        |
|  | <u>68,383</u> | <u>68,383</u> |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

19d) PENSIONS

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

|  | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|--|---------------------|---------------------|
| Fair value of plan assets                      | 19,883              | 19,789              |
| Present value of defined benefit obligation    | 22,986              | 24,501              |
| Deficit in plan                                | <u>(3,103)</u>      | <u>(4,712)</u>      |
| Unrecognised surplus                           | -                   | -                   |
| Defined benefit liability to be recognised     | <u>(3,103)</u>      | <u>(4,712)</u>      |
| Deferred tax                                   | -                   | -                   |
| Net Defined benefit liability to be recognised | <u>(3,103)</u>      | <u>(4,712)</u>      |

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

|  | Period ended<br>31.03.2020<br>£'000 |
|--|-------------------------------------|
| Defined benefit obligation at start of period                      | 24,501                              |
| Expenses   | 18                                  |
| Interest expense   | 629                                 |
| Actuarial losses (gains) due to scheme experience                  | (691)                               |
| Actuarial losses (gains) due to changes in demographic assumptions | 294                                 |
| Actuarial losses (gains) due to changes in financial assumptions   | (1,063)                             |
| Benefits paid and expenses   | <u>(702)</u>                        |
| Defined benefit obligation at end of period                        | <u><u>22,986</u></u>                |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

19d) PENSIONS (continued)

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

|   | Period ended<br>31.03.2020<br>£'000 |
|---|-------------------------------------|
| Fair value of plan assets at start of period  | 19,789                              |
| Interest income   | 515                                 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | (385)                               |
| Contributions by the employer   | 666                                 |
| Benefits paid and expenses  | <u>(702)</u>                        |
| Fair value of plan assets at end of period  | <u><u>19,883</u></u>                |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £130,000

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

|  | Period from 1<br>April 2019 to 31<br>March 2020<br>£'000 |
|--|--|
| Expenses   | 18   |
| Net interest expense   | <u>114</u>   |
| Defined benefit costs recognised in statement of comprehensive income (SOCİ) | <u><u>132</u></u>  |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

19d) PENSIONS (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

|  | Period from 1<br>April 2019 to 31<br>March 2020<br>£'000 |
|--|--|
| Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)                                      | 385  |
| Experience gains and losses arising on the plan liabilities - gain (loss)  | 691  |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss) | (294)  |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)   | 1,063  |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)          | 1,075  |
| Total amount recognised in other comprehensive income - gain (loss)  | 1,075  |

ASSETS

|                               | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|-------------------------------|---------------------|---------------------|
| Global Equity                 | 2,908               | 3,330               |
| Absolute Return               | 1,037               | 1,712               |
| Distressed Opportunities      | 383                 | 360                 |
| Credit Relative Value         | 545                 | 362                 |
| Alternative Risk Premia       | 1,390               | 1,141               |
| Fund of Hedge Funds           | 12                  | 89                  |
| Emerging Markets Debt         | 602                 | 683                 |
| Risk Sharing                  | 671                 | 598                 |
| Insurance-Linked Securities   | 611                 | 568                 |
| Property                      | 438                 | 445                 |
| Infrastructure                | 1,480               | 1,038               |
| Private Debt                  | 401                 | 266                 |
| Opportunistic Illiquid Credit | 481                 | -                   |
| Corporate Bond Fund           | 1,134               | 923                 |
| Liquid Credit                 | 8                   | -                   |
| Long Lease Property           | 344                 | 291                 |
| Secured Income                | 754                 | 708                 |
| Liability Driven Investment   | 6,599               | 7,237               |
| Net Current Assets            | 85                  | 38                  |
| Total assets                  | 19,883              | 19,789              |

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.

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

19d) PENSIONS (continued)

KEY ASSUMPTIONS

|   | 31.03.2020<br>% per annum | 31.03.2019<br>% per annum |
|---|---------------------------|---------------------------|
| Discount Rate   | 2.50                      | 2.60                      |
| Inflation (RPI)   | 2.86                      | 3.20                      |
| Inflation (CPI)   | 1.86                      | 2.20                      |
| Salary Growth   | 2.56                      | 3.26                      |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance  | 75% of maximum allowance  |

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

|                         | Life expectancy<br>at age 65<br>(Years) |
|-------------------------|---|
| Male retiring in 2020   | 21.5                                    |
| Female retiring in 2020 | 23.3                                    |
| Male retiring in 2040   | 22.9                                    |
| Female retiring in 2040 | 24.5                                    |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

20 DEFERRED TAXATION

| GROUP                          | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|--------------------------------|---------------------|---------------------|
| Accelerated capital allowances | 3,370               | 3,569               |
| Short term timing differences  | (5,035)             | (5,767)             |
| Other timing differences       | 1,961               | 1,755               |
|                                | <u>296</u>          | <u>(443)</u>        |

| ASSOCIATION                    | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|--------------------------------|---------------------|---------------------|
| Accelerated capital allowances | 3,438               | 3,620               |
| Short term timing differences  | (5,022)             | (5,767)             |
| Other timing differences       | 1,961               | 1,755               |
|                                | <u>377</u>          | <u>(392)</u>        |

The movement in deferred taxation provision is set out below:

| GROUP   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| 1 April 2019  | (443)                          | (415)                          |
| Charged to Statement of Comprehensive Income (note 9) | 739                            | (28)                           |
| 31 March 2020   | <u>296</u>                     | <u>(443)</u>                   |
| ASSOCIATION   | £'000                          | £'000                          |
| 1 April 2019  | (392)                          | (374)                          |
| Charged to Statement of Comprehensive Income (note 9) | 769                            | (18)                           |
| 31 March 2020   | <u>377</u>                     | <u>(392)</u>                   |

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

---

21 SHARE CAPITAL

|  | 31.03.2020 | 31.03.2019 |
|--|------------|------------|
| ASSOCIATION  | £          | £          |
| Shares of £1 each allotted, issued and fully paid; | 6          | 6          |

The share capital of the Association consists of shares with nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon, becomes the property of the Association. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the Association.

# Derwent Housing Association Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

---

### 22 CAPITAL COMMITMENTS

|   | 31.03.2020 | 31.03.2019 |
|---|------------|------------|
| GROUP   | £'000      | £'000      |
| Capital expenditure that has been contracted for but not provided for in the financial statements | 154        | 260        |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for     | 111,919    | 90,052     |
| ASSOCIATION   |            |            |
| Capital expenditure that has been contracted for but not provided for in the financial statements | 154        | 260        |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for     | 111,919    | 90,052     |

The above commitments will be financed in accordance with our treasury management policy which is detailed in the Places for People Group consolidated accounts.

### 23 LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of social housing with the Regulator of Social Housing under the Housing Act 1996.

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

|   | Year to<br>31.03.2020<br>£'000 | Year to<br>31.03.2019<br>£'000 |
|---|--------------------------------|--------------------------------|
| a) Reconciliation of surplus on activities after taxation to net cash from operating activities |                                |                                |
| Surplus for the year  | 30,847                         | 10,084                         |
| Depreciation and amortisation charges   | 5,238                          | 5,131                          |
| Impairment of investments   | -                              | -                              |
| Fair value gains on investment property   | (21,908)                       | (14)                           |
| Amortisation of Social Housing Grant  | (921)                          | (901)                          |
| Investment income including Joint Venture share of surplus                                      | (1,248)                        | (773)                          |
| Fair value gains on financial instruments   | -                              | -                              |
| Decrease in pension deficit provision   | (1,659)                        | (524)                          |
| Surplus on sale of property   | (1,795)                        | (2,472)                        |
| Interest receivable   | (34)                           | (38)                           |
| Interest payable  | 17,509                         | 17,172                         |
| Taxation  | 1,705                          | -                              |
| Change in stock   | (36)                           | (10)                           |
| Change in debtors   | 2,537                          | (1,348)                        |
| Change in creditors   | 4,500                          | 4,462                          |
| Change in completed and under construction properties held for resale                           | 3,110                          | (5,798)                        |
|   | <u>37,845</u>                  | <u>24,971</u>                  |

|  | At 1 April<br>2019<br>£'000 | Cash<br>inflows<br>£'000 | Other cash<br>movements<br>£'000 | At 31<br>March 2020<br>£'000 |
|--|-----------------------------|--------------------------|----------------------------------|------------------------------|
| b) Reconciliation of net cash flow to movement in net debt |                             |                          |                                  |                              |
| Cash   | 8,038                       | (2,641)                  | -                                | 5,397                        |
| Short term investments                                     | 383                         | 24                       | -                                | 407                          |
|  | <u>8,421</u>                | <u>(2,617)</u>           | <u>-</u>                         | <u>5,804</u>                 |
| Overdraft facilities                                       | -                           | -                        | -                                | -                            |
| Housing loans due within one year                          | (4,354)                     | 4,354                    | (11,530)                         | (11,530)                     |
| Housing loans due in greater than one year                 | (182,859)                   | 824                      | 11,530                           | (170,505)                    |
| Finance lease obligations                                  | (68,383)                    | -                        | -                                | (68,383)                     |
|  | <u>(247,175)</u>            | <u>2,561</u>             | <u>-</u>                         | <u>(244,614)</u>             |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

---

25 RELATED PARTY TRANSACTIONS

The Group had the following transactions and period end balances with Eione LLP, a 49% joint venture of Derwent Facilities Management Limited.

|  | Year to<br>31.03.2020 | Year to<br>31.03.2019 |
|--|-----------------------|-----------------------|
|  | £                     | £                     |
| Investment balance in Eione LLP by Derwent Facilities Management Limited | 40                    | 40                    |
| Amounts invoiced to Eione LLP by Derwent Facilities Management Limited   | 1,035,533             | 1,638,290             |
| Amounts due from Eione LLP to Derwent Facilities Management Limited      | 236,307               | 302,500               |
| Amounts invoiced from Eione LLP to Derwent Facilities Management         | 257,320               | 305,829               |
| Amounts due to Eione LLP from Derwent Facilities Management Limited      | 16,219                | 52,258                |

The Association also has contracts whereby the work is sub-contracted to Derwent Facilities Management Limited at no surplus or deficit to the Association. The “pass through” of this contract income and related operating costs to the third party customers totalled £5.82m (2019: £5.75m). Interest is charged on the inter-company loan to Centro Place Investments Limited at 3% per annum, this equated to £0.12m in the 12 months to 31 March 2020 (2019:£0.12m).

The Association has taken advantage of the exemption in FRS 102 not to disclose transactions with other group companies which are 100% owned.

The Pensions Trust are a related party through the defined benefit pension scheme. Details of all transactions can be found within note 19d.

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

26 STOCK MANAGED

| ASSOCIATION                               | 2019         | No | Units developed | Units disposed of | Other      | 2020 No       |
|---|--------------|----|-----------------|-------------------|------------|---------------|
| <b>Social housing owned</b>               |              |    |                 |                   |            |               |
| General housing:                          |              |    |                 |                   |            |               |
| Social (including intermediate)           | 5,691        |    | 57              | (10)              | (8)        | 5,730         |
| Affordable rent                           | 498          |    | 75              | (4)               | 3          | 572           |
| Housing for older people                  | 649          |    | 4               | (2)               | (1)        | 650           |
| Low cost home ownership                   | 1,306        |    | 72              | (28)              | 7          | 1,357         |
| Temporary social housing                  | -            |    | -               | -                 | -          | -             |
|   | <u>8,144</u> |    | <u>208</u>      | <u>(44)</u>       | <u>1</u>   | <u>8,309</u>  |
| <b>Non social housing</b>                 |              |    |                 |                   |            |               |
| Market rentals (incl Key worker)          | 424          |    | -               | (4)               | -          | 420           |
| Student accommodation                     | 817          |    | -               | -                 | -          | 817           |
| Leasehold                                 | 123          |    | -               | (13)              | 2          | 112           |
| Facilities management                     | -            |    | -               | -                 | -          | -             |
|   | <u>9,508</u> |    | <u>208</u>      | <u>(61)</u>       | <u>3</u>   | <u>9,658</u>  |
| <b>Social housing managed</b>             |              |    |                 |                   |            |               |
| General housing:                          |              |    |                 |                   |            |               |
| Social (including intermediate)           | 18           |    | -               | -                 | -          | 18            |
| Affordable rent                           | 57           |    | 21              | -                 | -          | 78            |
| Housing for older people                  | -            |    | -               | -                 | -          | -             |
| Low cost home ownership                   | 177          |    | -               | (4)               | (3)        | 170           |
| Temporary social housing                  | -            |    | -               | -                 | -          | -             |
|   | <u>252</u>   |    | <u>21</u>       | <u>(4)</u>        | <u>(3)</u> | <u>266</u>    |
| <b>Non social housing managed</b>         |              |    |                 |                   |            |               |
| Market rentals (incl Key worker)          | 172          |    | 22              | -                 | -          | 194           |
| Facilities management                     | -            |    | -               | -                 | -          | -             |
|   | <u>424</u>   |    | <u>43</u>       | <u>(4)</u>        | <u>(3)</u> | <u>460</u>    |
| <b>Total housing owned &amp; managed</b>  | <b>9,932</b> |    | <b>251</b>      | <b>(65)</b>       | <b>-</b>   | <b>10,118</b> |
| Housing owned but managed by another body | (146)        |    | -               | 3                 | 3          | (140)         |
| <b>Total housing owned &amp; managed</b>  | <b>9,786</b> |    | <b>251</b>      | <b>(62)</b>       | <b>3</b>   | <b>9,978</b>  |
| Housing managed but not owned             | (424)        |    | (43)            | 4                 | 3          | (460)         |
| <b>Total housing owned</b>                | <b>9,508</b> |    | <b>208</b>      | <b>(61)</b>       | <b>3</b>   | <b>9,658</b>  |

Derwent Housing Association Limited  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020

26A STOCK MANAGED

| GROUP                                     | 2019 | No                   | Units developed   | Units disposed of     | Other           | 2020 | No                   |
|---|------|----------------------|-------------------|-----------------------|-----------------|------|----------------------|
| <b>Social housing owned</b>               |      |                      |                   |                       |                 |      |                      |
| General housing:                          |      |                      |                   |                       |                 |      |                      |
| Social (including intermediate)           |      | 5,709                | 57                | (10)                  | (8)             |      | 5,748                |
| Affordable rent                           |      | 555                  | 96                | (4)                   | 3               |      | 650                  |
| Housing for older people                  |      | 649                  | 4                 | (2)                   | (1)             |      | 650                  |
| Low cost home ownership                   |      | 1,312                | 72                | (28)                  | 7               |      | 1,363                |
| Temporary social housing                  |      | -                    | -                 | -                     | -               |      | -                    |
|   |      | <u>8,225</u>         | <u>229</u>        | <u>(44)</u>           | <u>1</u>        |      | <u>8,411</u>         |
| <b>Non social housing</b>                 |      |                      |                   |                       |                 |      |                      |
| Market rentals (incl Key worker)          |      | 424                  | -                 | (4)                   | -               |      | 420                  |
| Student accommodation                     |      | 817                  | -                 | -                     | -               |      | 817                  |
| Leasehold                                 |      | 123                  | -                 | (13)                  | 2               |      | 112                  |
| Facilities management                     |      | -                    | -                 | -                     | -               |      | -                    |
|   |      | <u>9,589</u>         | <u>229</u>        | <u>(61)</u>           | <u>3</u>        |      | <u>9,760</u>         |
| <b>Social housing managed</b>             |      |                      |                   |                       |                 |      |                      |
| General housing:                          |      |                      |                   |                       |                 |      |                      |
| Social (including intermediate)           |      | -                    | -                 | -                     | -               |      | -                    |
| Affordable rent                           |      | -                    | -                 | -                     | -               |      | -                    |
| Housing for older people                  |      | -                    | -                 | -                     | -               |      | -                    |
| Low cost home ownership                   |      | 171                  | -                 | (4)                   | (3)             |      | 164                  |
| Temporary social housing                  |      | -                    | -                 | -                     | -               |      | -                    |
|   |      | <u>171</u>           | <u>-</u>          | <u>(4)</u>            | <u>(3)</u>      |      | <u>164</u>           |
| <b>Non social housing managed</b>         |      |                      |                   |                       |                 |      |                      |
| Market rentals (incl Key worker)          |      | 172                  | 22                | -                     | -               |      | 194                  |
| Facilities management                     |      | 20,902               | -                 | (9,714)               | -               |      | 11,188               |
|   |      | <u>21,245</u>        | <u>22</u>         | <u>(9,718)</u>        | <u>(3)</u>      |      | <u>11,546</u>        |
| <b>Total housing owned &amp; managed</b>  |      | <u><b>30,834</b></u> | <u><b>251</b></u> | <u><b>(9,779)</b></u> | <u><b>-</b></u> |      | <u><b>21,306</b></u> |
| Housing owned but managed by another body |      | (146)                | -                 | 3                     | 3               |      | (140)                |
| <b>Total housing owned &amp; managed</b>  |      | <u><b>30,688</b></u> | <u><b>251</b></u> | <u><b>(9,776)</b></u> | <u><b>3</b></u> |      | <u><b>21,166</b></u> |
| Housing managed but not owned             |      | (21,245)             | (22)              | 9,718                 | 3               |      | (11,546)             |
| <b>Total housing owned &amp; managed</b>  |      | <u><b>9,589</b></u>  | <u><b>229</b></u> | <u><b>(61)</b></u>    | <u><b>3</b></u> |      | <u><b>9,760</b></u>  |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

27 MANAGED ACCOMODATION

The following organisations manage accommodation on behalf of the Association:

MANAGING BODY

Bed spaces

SPECIAL NEEDS

|                            | Year to<br>31.03.2020<br>No | Year to<br>31.03.2019<br>No |
|----------------------------|-----------------------------|-----------------------------|
| Mencap                     | 9                           | 9                           |
| Dimensions                 | 5                           | 5                           |
| NACRO                      | 6                           | 6                           |
| Enable Housing Association | 14                          | 14                          |
| Rethink                    | 11                          | 5                           |
| Advance Housing            | 6                           | 6                           |
| P3 Charity                 | 13                          | 21                          |
|                            | 64                          | 66                          |
|                            | 64                          | 66                          |

Properties

GENERAL NEEDS

|   | Year to<br>31.03.2020<br>No | Year to<br>31.03.2019<br>No |
|---|-----------------------------|-----------------------------|
| EMH Homes (formerly Foundation Housing Association) | -                           | 2                           |
| Action Housing                                      | -                           | 1                           |
| Gedling Borough Council                             | 4                           | 4                           |
| Nottingham Community Housing Association            | -                           | 1                           |
|   | 4                           | 8                           |
|   | 4                           | 8                           |

Derwent Housing Association Limited  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2020

28 COMMITMENTS UNDER OPERATING LEASES

The Group's and Association's total future minimal lease payments under non-cancellable operating leases for fixed assets are as follows:

| GROUP                      | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
|----------------------------|---------------------|---------------------|
| Land and buildings         |                     |                     |
| Operating leases expiring: |                     |                     |
| Within one year            | 1,969               | 1,957               |
| Between one and five years | 7,761               | 7,775               |
| After five years           | 13,545              | 15,409              |
|                            | <u>23,275</u>       | <u>25,141</u>       |
| Plant and machinery        |                     |                     |
| Amounts due                |                     |                     |
| Within one year            | 16                  | 17                  |
| Between one and five years | 5                   | 9                   |
| After five years           | -                   | -                   |
|                            | <u>21</u>           | <u>26</u>           |
| ASSOCIATION                | 31.03.2020<br>£'000 | 31.03.2019<br>£'000 |
| Land and buildings:        |                     |                     |
| Operating leases expiring: |                     |                     |
| Within one year            | 1,864               | 1,864               |
| Between one and five years | 7,456               | 7,456               |
| After five years           | 13,545              | 15,409              |
|                            | <u>22,865</u>       | <u>24,729</u>       |
| Plant and machinery        |                     |                     |
| Amounts due                |                     |                     |
| Within one year            | 16                  | 17                  |
| Between one and five years | 5                   | 9                   |
| After five years           | -                   | -                   |
|                            | <u>21</u>           | <u>26</u>           |