

Derwent Community Housing Association

Financial Statements

for the year ended

31 March 2021

Derwent Community Housing Association

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Derwent Community Housing Association

EXECUTIVES AND ADVISERS

for the year ended 31 March 2021

BOARD MEMBERS

C Martin (appointed 16 April 2021)
D M Lavery (appointed 16 April 2021)
J Boucher
M T Rickards (resigned 20 April 2021)
N Finney (appointed 16 April 2021)
P Goodacre (appointed 16 April 2021)
R Cookson (resigned 01 May 2021)
R Docker (Chair) (resigned 01 May 2021)
W Pretten (appointed 16 April 2021)

SECRETARY

C Martin

PRINCIPAL BANKER

Barclays Plc
3 Hardman Street
Spinningfields
Manchester
M3 3HF

REGISTERED OFFICE

1 Centro Place
Pride Park
Derby
DE24 8RF

AUDITOR

KPMG LLP
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Derwent Community Housing Association

REPORT OF THE BOARD

for the year ended 31 March 2021

Report of the Board

The board of Directors is pleased to present its report and the audited financial statements for the year ended 31 March 2021.

Nature of the Association

The Association is a Registered Provider based in Derby. As note 14 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.

Results

The Association's deficit for the year before taxation was £4,404 (2020: £32,709).

The Association's key performance indicators and principal risks and uncertainties are aligned with those of the ultimate parent undertaking, Places for People Group Limited, and are included in the consolidated Group accounts.

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 that can be obtained from the Group's registered office at 80 Cheapside, London, EC2V 6EE.

Review of the year

The turnover for the Association for the year ended 31 March 2021 was £428,484 (2020: £414,596). The operating profit has increased year on year at £230,146 (2020: £211,629). The underlying operating profit, excluding sale of fixed assets has increased by 12.5% from £211,629 to £237,978. The underlying operating margin has increased to 55.5% (2020: 51.0%).

Customer Participation

A comprehensive set of structures exists to ensure that there is effective communication between the Association and its customers.

Internal Control

The Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2021 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

Board and Committee Structure

The board of Directors of Places for People Group ("the Group") is responsible for setting strategies and budgets for the whole Group and co-ordinating the Group's activities. Places for People Group Limited exercises control over Derwent Community Housing Association Limited through an Independence and Responsibilities Agreement, a Service Level Agreement and powers granted to Places for People Group Limited in Places for People Homes Limited rules.

The Group board has delegated certain matters to committees of the board of Places for People Group. Reporting to the Group board on Group issues are the Audit & Risk Committee, Nominations & Governance Committee and Remuneration Committee.

The Group board has delegated certain matters to committees of the board of Derwent Community Housing Association. Reporting to the Group board on Group issues are the Audit & Risk Committee, Nominations & Governance Committee and Remuneration Committee.

Derwent Community Housing Association

REPORT OF THE BOARD

for the year ended 31 March 2021

Corporate Governance

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 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.

The board have referred to the UKCG code when setting their corporate governance, by which the organisation is governed. In doing so the Board closely follows the principles followed by Places for People Group.

Going concern 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 inevitably presented a series of unprecedented challenges into aspects of all our businesses. The Board continues to monitor the evolving situation, is focussed on mitigating the risks for the Group and has assessed the going concern in light of the risks raised by the pandemic.

At 31 March 2021 the Places for People Group (Group) had cash and undrawn facilities of £954.6m. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The directors have reviewed the projected cash flows covering a period of 12 months from the date of the approval of the financial statements, which indicate that the Group will be able to operate within the levels of its agreed facilities and the compliance with debt covenants. For the purposes of both Viability and Going Concern, the Directors have overlaid several severe but plausible, multi-variant scenarios with specific considerations for the potential impact of the ongoing Covid-19 pandemic. These scenarios include a short-term impact on rent collection, further closure of Leisure centres and a downturn of the housing market affecting property sales.

As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2022 would be £750m and £462m at 31 March 2023 if the Group did not raise any additional finance to that which is currently available.

The company's net current liability position of £6,111,707 is due to short term loans being provided by the company's parent undertaking, Derwent Housing Association Limited, to finance the company's investments. Derwent Housing Association Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Derwent Community Housing Association

REPORT OF THE BOARD

for the year ended 31 March 2021

Going concern statement (continued)

Derwent Community 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 are confident that the Group has adequate resources to continue to meet all liabilities, as and when they fall due, for 12 months from the date of approval of the financial statements and therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

Viability statement

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.

In assessing the Group's prospects and resilience, the management produced projections which considered the Group's current business position and risk appetite. The projections have undergone rigorous single and multi-variate stress testing through consideration of several events, scenarios and mitigation factors, which identify the mix of extreme circumstances that could create challenging conditions for the Group, including a downturn in the housing market. These events and scenarios have been selected from an analysis of the operating environment; policy and politics; the regulatory framework; the Group risk register; and analysis of economic and financial market trends and risks. The results confirmed that the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

The directors continue to specifically consider the impact of the ongoing Covid-19 pandemic. The key financial risks identified from the Covid-19 pandemic, in the prior year, have been mitigated thus far. The Board continues to review and monitor the situation closely, to ensure mitigations remain relevant and consistent due to the continuing uncertainty arising from the Covid-19 pandemic.

Having assessed the prospects of the Group, including the Group's current funding, forecast requirements, existing committed borrowing facilities, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2024.

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 consider every risk and eventuality that the Group may face. The Board is satisfied that the stress testing that is performed on the Group's business plan includes all the major risks that the Group may face and therefore provides strong assurance of the Group's financial viability.

Derwent Community Housing Association

REPORT OF THE BOARD

for the year ended 31 March 2021

Compliance with the Regulator of Social Housing's Governance and Financial Viability Standard

The Association has assessed the position and confirms that it has complied with The Regulator of Social Housing's Governance and Financial Viability Standard.

Statement of Disclosure to the Auditor

At the time of approval of this report:

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

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting 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.

By order of the Board



Derwent Community Housing Association

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

Opinion

We have audited the financial statements of Derwent Community Housing Association Limited ("the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income and Retained Earnings, Statement of Financial Position, Statement of Changes in Reserves and related notes, including the accounting policies in note 1.

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 Association as at 31 March 2021 and the income and expenditure of the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been 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 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 Association or to cease its operations, and as they have concluded that 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").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Association's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Group Board and Audit and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Derwent Community Housing Association

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

Fraud and breaches of laws and regulations – ability to detect (continued)

As required by auditing standards, and taking into account possible pressures to meet internal performance targets, we perform procedures to address the risk of management override of controls and the risk that Association management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because due to the nature and scope of the Association's activities, there are no perceived pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Association-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unexpected individuals, journals containing specific words, journals posted to seldom used accounts, and journals posted to cash and turnover that were considered outside of the normal course of business.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Association is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related cooperative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: anti-bribery, money-laundering and certain aspects of co-operative & community benefit society legislation recognising the nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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.

Derwent Community Housing Association

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

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 its 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 explained more fully in their statement set out on page 5 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 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 Association or to cease operations, or has no realistic alternative but to do so.

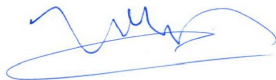
Auditor's responsibilities

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

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 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 2021

Derwent Community Housing Association
 STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
 for the year ended 31 March 2021

	<i>Notes</i>	Year to 31.03.2021	Year to 31.03.2020
		£	£
TURNOVER	1	450,365	414,596
OPERATING COSTS	1	(212,387)	(202,967)
LOSS ON SALE OF FIXED ASSETS	4	<u>(7,832)</u>	<u>-</u>
OPERATING SURPLUS	1	230,146	211,629
Interest payable and similar charges	5	(234,550)	(244,338)
DEFICIT FOR THE YEAR		<u>(4,404)</u>	<u>(32,709)</u>
RETAINED EARNINGS BROUGHT FORWARD		1,823,865	1,856,574
RETAINED EARNINGS CARRIED FORWARD		<u><u>1,819,461</u></u>	<u><u>1,823,865</u></u>

The deficit for the year arises from the Association's continuing activities

The accompanying notes form part of these financial statements

Derwent Community Housing Association
STATEMENT OF FINANCIAL POSITION
as at 31 March 2021

	Notes	31.03.2021	31.03.2020
		£	£
FIXED ASSETS			
Housing properties	6	11,001,840	11,100,485
CURRENT ASSETS			
Debtors	7	1,769,213	1,576,177
Cash at bank and in hand		25,000	309
		1,794,213	1,576,486
CREDITORS: Amounts falling due within one year	8	(7,905,920)	(7,737,204)
NET CURRENT LIABILITIES		(6,111,707)	(6,160,718)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,890,133	4,939,767
CREDITORS: Amounts falling due after more than one year	9	(3,070,667)	(3,115,897)
NET ASSETS		1,819,466	1,823,870
CAPITAL AND RESERVES			
Share capital	11	5	5
Retained earnings		1,819,461	1,823,865
		1,819,466	1,823,870

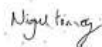
The accompanying notes form part of these financial statements

The financial statements on pages 8 to 20 were approved by the Board and authorised for issue on 24th September 2021 and are signed on its behalf by:

D M Lavery



N Finney



C Martin



Derwent Community Housing Association

ACCOUNTING POLICIES

for the year ended 31 March 2021

LEGAL STATUS

Derwent Community Housing Association Limited is registered under the Co-Operative and Community Benefit Societies Act 2014. The address of the Association's registered office and principal place of business is No.1 Centro Place, Pride Park, Derby, DE24 8RF.

The Association'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.

REDUCED DISCLOSURES

In accordance with FRS 102, the Association has taken advantage of exemptions from the following disclosure requirements:-

Section 7 'Statement of Cash Flows - Presentation of a Statement of Cash Flows and related notes and disclosures.

Section 1 'Basic financial instruments'

GOING CONCERN

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 inevitably presented a series of unprecedented challenges into aspects of all our businesses. The Board continues to monitor the evolving situation, is focussed on mitigating the risks for the Group and has assessed the going concern in light of the risks raised by the pandemic.

At 31 March 2021 the Places for People Group (Group) had cash and undrawn facilities of £954.6m. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The directors have reviewed the projected cash flows covering a period of 12 months from the date of the approval of the financial statements, which indicate that the Group will be able to operate within the levels of its agreed facilities and the compliance with debt covenants. For the purposes of both Viability and Going Concern, the Directors have overlaid several severe but plausible, multi-variant scenarios with specific considerations for the potential impact of the ongoing Covid-19 pandemic. These scenarios include a short-term impact on rent collection, further closure of Leisure centres and a downturn of the housing market affecting property sales.

As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2022 would be £750m and £462m at 31 March 2023 if the Group did not raise any additional finance to that which is currently available.

Derwent Community 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 are confident that the Group has adequate resources to continue to meet all liabilities, as and when they fall due, for 12 months from the date of approval of the financial statements and therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

TURNOVER

Turnover comprises donations, rental, service charge, revenue grants receivable from third parties and proceeds of first tranche shared ownership sales, together with any amortisation of deferred capital grant.

DONATIONS

All monetary donations and gifts are included in full in the statement of comprehensive income (SOC1) when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the precondition has been met.

Derwent Community Housing Association

ACCOUNTING POLICIES

for the year ended 31 March 2021

FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated.

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.

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. No depreciation is charged in the first year the property is brought into use.

The UELs applied are as follows:

Component	Years
Structure	125
Kitchen	20
Bathroom	30
Roof	60
Windows	30

Depreciation is provided on shared ownership and Try Before You Buy 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 UELs applied are as follows:

Properties built within the last 30 years	100-125 years
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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:

Short leasehold properties	Length of lease
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IMPAIRMENTS 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, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. 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 life.

Derwent Community Housing Association

ACCOUNTING POLICIES

for the year ended 31 March 2021

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.

SHARED OWNERSHIP

Development of shared ownership housing properties is dealt with under fixed assets in the same manner as for general needs housing properties, except that costs relating to first tranche sales are taken to 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 further proportions at the current valuation up to 100%.

Upon sale, first tranche proceeds are included within turnover and related 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 surplus is shown within "Surplus on sale of housing properties".

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

Social Housing Grant (SHG) is a capital grant made to the Association towards the cost of acquiring and/or building additional housing for rent or sale. Under shared ownership arrangements SHG is paid by Homes England on a basis related to cost but varying according to area and type of scheme and is matched to the costs of second and subsequent tranches unless it is revenue grant funding.

Under FRS 102 these grants are classified as deferred income and recognised in income over the expected useful economic life of the asset to which they relate with the exception of the first year that the property is brought into use. When a property with grant is disposed of, grant previously amortised is written back as an expense in the disposal proceeds calculation.

SHG received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it related. 3% of any new SHG capital grant is treated as revenue grant in the year in which it is acquired.

Derwent Community Housing Association

ACCOUNTING POLICIES

for the year ended 31 March 2021

TAXATION

The Association has been confirmed by HM Revenue and Customs as meeting the requirements of Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable Association for UK corporation tax purposes. Accordingly, the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

RECYCLED CAPITAL GRANT FUND

Social Housing Grant which relates to housing properties sold under 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 Statement of Financial Position 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.

DEVELOPMENT INTEREST AND ADMINISTRATION COSTS

Where a property is developed with the intention of selling it onwards at practical completion, interest is capitalised during the development period. Otherwise interest costs incurred in the development period of a property are charged to the Statement of Total Comprehensive Income in full.

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.

VALUE ADDED TAX

The Association is a member of a group registration for VAT purposes. The financial statements include VAT to the extent that it is suffered by the Association and is not recoverable by the VAT group. The balance of VAT payable or recoverable by the group is included in the consolidated financial statements of the Association's parent undertaking Derwent Housing Association Limited.

ALLOCATION OF EXPENSES AND FINANCE COSTS

As far as possible, expenses are allocated directly to the activity to which they relate. Insofar as they relate to new development activity, they are charged to that activity. All other finance costs are charged as indirect overheads and apportioned in the manner set out above.

CRITICAL 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 Association makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no 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.

Critical areas of judgement

Within the capitalised figure for properties management allocate time spent by the parent Association development team and major repair team.

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

Derwent Community Housing Association
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2021

1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Year to 31.03.2021				Year to 31.03.2020			
	Turnover	Operating costs	Other operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Other operating costs	Operating surplus/ (deficit)
SOCIAL HOUSING LETTINGS								
General needs housing	402,865	(183,907)		218,958	381,248	(196,368)	-	184,880
Shared ownership	16,400	(6,599)		9,801	15,972	(6,599)	-	9,373
	<u>419,265</u>	<u>(190,506)</u>	<u>-</u>	<u>228,759</u>	<u>397,220</u>	<u>(202,967)</u>	<u>-</u>	<u>194,253</u>
OTHER INCOME AND EXPENDITURE								
Social housing	-	(21,881)		(21,881)	1,218	-	-	1,218
Donations	-	-		-	-	-	-	-
SHG Income	-	-		-	-	-	-	-
SHG Amortisation	31,100	-		31,100	16,158	-	-	16,158
Sale of Fixed Asset	-	-	(7,832)	(7,832)	-	-	-	-
Shared ownership first tranche sales	-	-		-	-	-	-	-
	<u>31,100</u>	<u>(21,881)</u>	<u>(7,832)</u>	<u>1,387</u>	<u>17,376</u>	<u>-</u>	<u>-</u>	<u>17,376</u>
	<u>450,365</u>	<u>(212,387)</u>	<u>(7,832)</u>	<u>230,146</u>	<u>414,596</u>	<u>(202,967)</u>	<u>-</u>	<u>211,629</u>

2 INCOME AND EXPENDITURE FROM LETTINGS - SOCIAL HOUSING ONLY

	General needs housing	Shared ownership accomodation	Year to 31.03.2021 Total	Year to 31.03.2020 Total
	£	£	£	£
GROSS INCOME FROM LETTINGS				
Rents receivable net of identifiable service charges	392,819	16,061	408,880	392,807
Service charges receivable	10,760	339	11,099	7,916
	<u>403,579</u>	<u>16,400</u>	<u>419,979</u>	<u>400,723</u>
GROSS RENTS RECEIVABLE				
Rent losses from voids	(714)	-	(714)	(3,503)
	<u>402,865</u>	<u>16,400</u>	<u>419,265</u>	<u>397,220</u>
NET RENTS RECEIVABLE				
EXPENDITURE ON LETTINGS ACTIVITIES				
Management and services	(86,317)	(6,599)	(92,916)	(112,238)
Depreciation and impairment of housing properties	(69,224)	-	(69,224)	(58,539)
Rent losses from bad debts	(675)	-	(675)	(2,693)
Routine maintenance	(27,635)	-	(27,635)	(29,497)
Major repairs expenditure	(56)	-	(56)	-
	<u>218,958</u>	<u>9,801</u>	<u>228,759</u>	<u>194,253</u>
OPERATING SURPLUS ON LETTINGS ACTIVITIES				

Derwent Community Housing Association

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

3 OPERATING COSTS

The Association has no employees and the directors receive no remuneration for their services to the Association. Audit costs are borne by the parent association.

4 SALES OF FIXED ASSETS

	Year to 31.03.2021	Year to 31.03.2020
	£	£
Sales Proceeds	98,000	-
Cost of sales	(105,069)	-
Operating costs	(763)	-
	<u><u>(7,832)</u></u>	<u><u>-</u></u>

5 INTEREST PAYABLE

	Year to 31.03.2021	Year to 31.03.2020
	£	£
On bank loans	-	34,366
On loans from group companies	234,550	209,972
	<u><u>234,550</u></u>	<u><u>244,338</u></u>

Derwent Community Housing Association
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2021

6 TANGIBLE FIXED ASSETS

HOUSING PROPERTIES	Housing properties held for letting £	Housing properties under construction £	Shared ownership properties £	Total £
COST				
1 April 2020	11,004,720	-	298,082	11,302,802
Additions	-	74,858	-	74,858
Disposals	(106,957)	-	-	(106,957)
Transfers between property classes	74,858	(74,858)	-	-
31 March 2021	10,972,621	-	298,082	11,270,703
DEPRECIATION				
1 April 2020	(200,493)	-	(1,824)	(202,317)
Charge for year	(69,224)	-	-	(69,224)
Eliminated on disposal	2,678	-	-	2,678
31 March 2021	(267,039)	-	(1,824)	(268,863)
Carrying amount as at 31 March 2021	10,705,582	-	296,258	11,001,840
Carrying amount as at 1 April 2020	10,804,227	-	296,258	11,100,485
The historical cost of housing properties including those under construction comprises:				
Freehold			31.03.2021 £	31.03.2020 £
			11,270,701	11,302,802

Derwent Community Housing Association
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2021

7	DEBTORS	31.03.2021	31.03.2020
		£	£
	Amounts due from parent undertaking	1,768,850	1,575,969
	Other debtors	363	208
		<u>1,769,213</u>	<u>1,576,177</u>
		<u><u>1,769,213</u></u>	<u><u>1,576,177</u></u>
8	CREDITORS: Amounts falling due within one year	31.03.2021	31.03.2020
		£	£
	Other creditors	-	-
	Deferred capital grant due for amortisation	31,078	16,157
	Amounts owed to parent company	7,874,842	7,721,047
		<u>7,905,920</u>	<u>7,737,204</u>
		<u><u>7,905,920</u></u>	<u><u>7,737,204</u></u>
9	CREDITORS: Amounts falling due after one year	31.03.2021	31.03.2020
		£	£
	Recycled Capital Grant Fund	23,184	-
	Deferred capital grant	3,047,483	3,115,897
		<u>3,070,667</u>	<u>3,115,897</u>
		<u><u>3,070,667</u></u>	<u><u>3,115,897</u></u>

Derwent Community Housing Association

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

		Year to 31.03.2021	Year to 31.03.2020
		£	£
10	RECYCLED CAPITAL GRANT FUND		
	At 1 April 2020	-	-
	Inputs to RCGF:		
	Grant recycled	23,184	-
	Interest Accrued	-	-
	Transfers from other group members	-	-
	Recycling of grant:		
	New Build	-	-
	Major repairs and works to existing stock	-	-
	Transfers to other group members	-	-
	Other	-	-
	Repayment of grant to the HCA/GLA	-	-
	At 31 March 2021	<u>23,184</u>	<u>-</u>
11	SHARE CAPITAL		
		31.03.2021	31.03.2020
		£	£
	Authorised:		
	6 ordinary shares of £1 each	6	6
	Allotted, issued and fully paid:		
	5 ordinary shares of £1 each	5	5

The share capital of the Association consists of shares with nominal value of £1 each and 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.

12 RELATED PARTY TRANSACTIONS AND BALANCES

The amounts owed to Derwent Housing Association Limited are for an unsecured rolling loan facility. Interest payable on this facility is 3% per annum.

Derwent Community Housing Association

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

13 ULTIMATE CONTROL

The ultimate parent undertaking and controlling party is Places for People Group Limited, a Registered Provider of Social Housing. Places for People Group Limited's consolidated financial statements can be obtained from the registered office, the address of which is 80 Cheapside, London, EC2V 6EE.

The immediate parent undertaking is Derwent Housing Association Limited, a Registered Provider of Social Housing. Derwent Housing Association Limited's consolidated financial statements can be obtained from the registered office, the address of which is 80 Cheapside, London, EC2V 6EE.

14 STOCK MANAGED

	Year to 31.03.2021		Year to 31.03.2020	
	Owned and managed units	Managed units	Owned and managed units	Managed units
General needs Housing	18	-	18	-
Affordable Housing	77	-	78	-
Low cost home ownership accomodation	6	-	6	-
	<hr/>	<hr/>	<hr/>	<hr/>
	101	-	102	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>